the MORTGAGE BANKER

DECEMBER 1951

SOMETHING BRAND NEW HAS BEEN ADDED TO THE MBA PROG[illegible]S THIS YEAR • A CONFERENCE DESIGNED FOR YOUNGER MEN ON ALL ASPECTS OF THE FEDERAL GOVERNMENT'S PARTIC[illegible]E INDUSTRY • THE FEDERAL AGENCIES WHICH PLAY A ROLE IN THE MORTGAGE INDUSTRY ARE NUMEROUS • [illegible]YSTEM, VA, DEPARTMENT OF COMMERCE AND OTHERS • THEIR CHANGING RULES AND REGULATIONS ARE [illegible] KEEP ABREAST OF THE ACTIVITIES OF THESE MANY BUREAUS • IDEA BACK OF THIS CONFERENCE IS [illegible]RTGAGE INDUSTRY AN OPPORTUNITY TO COME TO WASHINGTON FOR THREE DAYS AND, UNDER THE [illegible]ESE VARIOUS AGENCIES, GO INTO EVERY ASPECT OF THEIR ROLES IN OUR INDUSTRY • ONE DAY [illegible]A LOANS • MORNING OF THE THIRD DAY WILL BE GIVEN OVER TO SEEING OUR ELECTED REPRE[illegible]ERENCE WILL HEAR FEDERAL RESERVE, HHFA AND NPA REPRESENTATIVES DISCUSS THE ACTIVITIES [illegible]E JANUARY 14, 15 AND 16 AND IT'S AT THE MAYFLOWER IN WASHINGTON D. C. • MORE [illegible] NEW HAS BEEN ADDED TO THE MBA PROGRAM OF MEETINGS THIS YEAR • A CONFERENCE DE[illegible] OF THE FEDERAL GOVERNMENT'S PARTICIPATION IN THE MORTGAGE INDUSTRY • THE FEDERAL AG[illegible]GAGE INDUSTRY ARE NUMEROUS • FHA, HHFA, FEDERAL RESERVE SYSTEM, VA, DEPARTMENT OF C[illegible] RULES AND REGULATIONS ARE NUMEROUS • IT IS NEVER EASY TO KEEP ABREAST OF THE ACTIVITIES [illegible]CK OF THIS CONFERENCE IS TO OFFER THE YOUNG MEN IN THE MORTGAGE INDUSTRY AN OPPORTUNITY [illegible]REE DAYS AND, UNDER THE SUPERVISION OF THE TOP OFFICIALS OF THESE VARIOUS AGENCIES, GO INTO EVER[illegible] OUR INDUSTRY • ONE DAY IS FOR VA LOANS ALONE • ANOTHER FOR FHA LOANS • MORNING OF THE THIRD DAY [illegible] TO SEEING OUR ELECTED REPRESENTATIVES • AND THAT AFTERNOON THE CONFERENCE WILL HEAR FEDERAL RESERVE, HHFA AND NPA REPRESENTATIVES DISCUSS THE ACTIVITIES OF THEIR AGENCIES • CONFERENCE DATES ARE JANUARY 14, 15 AND 16 AND IT'S AT THE MAYFLOWER IN WASHINGTON D. C. • MORE DETAILS IN THIS ISSUE •

FIRST MBA EVENT FOR 1952—WASHINGTON CONFERENCE FOR YOUNG MEN, JANUARY 14-16

this issue ★

ARE PENSION FUNDS THE ANSWER TO A WIDER MARKET FOR MORTGAGES? PRESENT MARKET AN OPPORTUNITY FOR LIFE COMPANIES TO REVIEW THEIR OPERATIONS IN MORTGAGE LOAN FIELD

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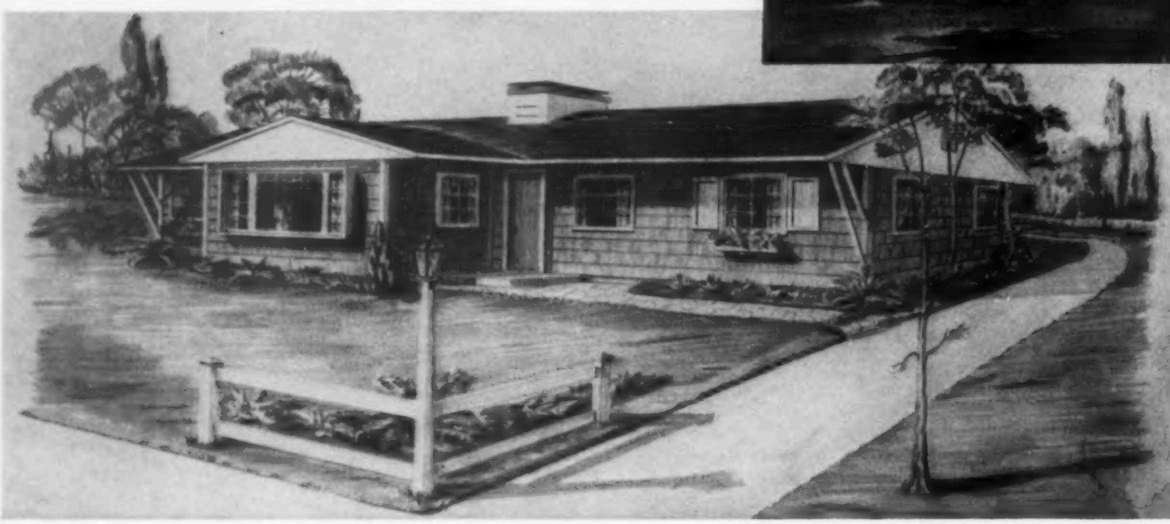

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the MORTGAGE BANKER

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Volume 12 **DECEMBER, 1951** **Number 3**

Contents

PRESIDENT'S *Column*

A review of MBA's planned events for 1952 is impressive and offers sound reasons why membership in our fine trade association is a good investment for anyone engaged in mortgage lending.

JANUARY 14-16 — CONFERENCE FOR YOUNG MEN UNDER 35, HOTEL MAYFLOWER, WASHINGTON, D. C. This is a new event in our MBA schedule. Sam Neel is doing the planning and those attending may anticipate a bang-up program.

JANUARY 29-31—SIXTH ANNUAL SENIOR EXECUTIVES COURSE, NEW YORK. This is sponsored by MBA with the Graduate School of Business Administration of New York University, and promises to be instructive and worthwhile.

FEBRUARY 14-15—MIDDLE WESTERN MORTGAGE CONFERENCE, DRAKE HOTEL, CHICAGO. This conference, centrally located, is always well attended, and the program planned this year will be full of information for both correspondents and investors.

MARCH 11—REGIONAL CLINIC, HOTEL PEABODY, MEMPHIS; MARCH 13 — REGIONAL CLINIC, BILTMORE HOTEL, ATLANTA. These two meetings are spaced one day apart so those participating in the program can proceed from Memphis to Atlanta and not be away from home more than four or five days.

APRIL 14-15 — EASTERN MORTGAGE CONFERENCE, HOTEL COMMODORE, NEW YORK. We customarily have a crowd for this one and those attending will find that the Clinic Committee has thought about everything.

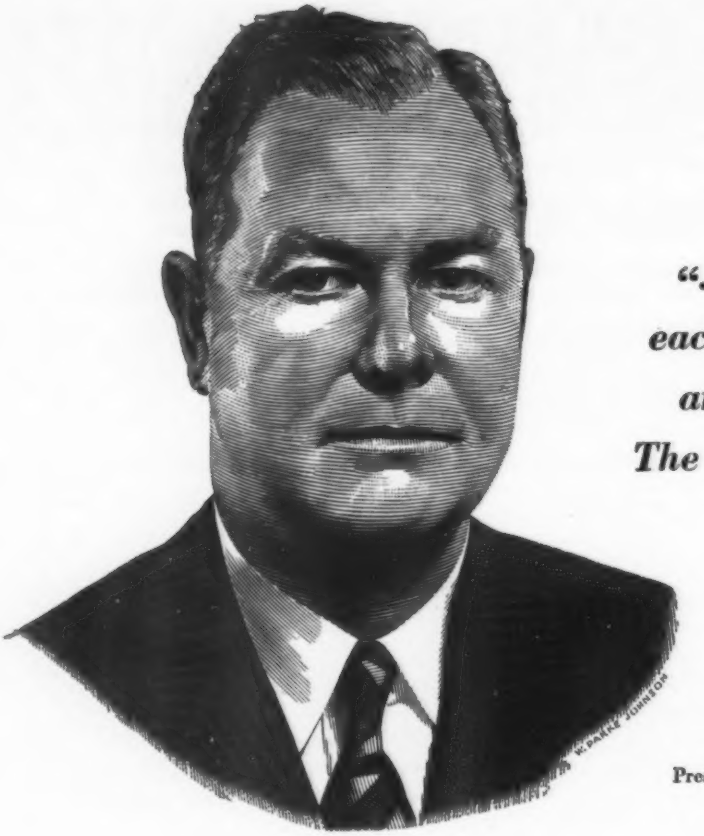
APRIL 29 — REGIONAL CLINIC, NEW WASHINGTON HOTEL, SEATTLE; MAY 2—REGIONAL CLINIC, HOTEL BILTMORE, LOS ANGELES. Here are two meetings in the middle of the expanding West Coast economy. The local members of MBA are enthusiastically taking hold of the planning, assuring good attendance in each city.

JUNE 16-20 — FIFTH ANNUAL MORTGAGE BANKING SEMINAR, NORTHWESTERN UNIVERSITY, CHICAGO, ILLINOIS; JUNE 23-25—SECOND ADVANCED MORTGAGE BANKING SEMINAR, NORTHWESTERN UNIVERSITY, CHICAGO, ILLINOIS. Our association is continually improving these meetings and next year's promises to be the best ever. I have been to about every one for the past five years, and always learn something worth while.

SEPTEMBER 29-30, OCTOBER 1-2—39TH ANNUAL CONVENTION, CONRAD HILTON HOTEL, CHICAGO. It's quite a ways off but the headquarters hotel is large and those attending will not be scattered in as many places as in the past.

Aubrey M Costa

President, Mortgage Bankers Association of America



"... Nearly nine out of each ten of our employees are ... participating in The Payroll Savings Plan."

E. J. HANLEY

President, Allegheny Ludlum Steel Corporation

"Systematic Savings offer the surest means of future security and we know of no better systematic savings plan than that afforded by payroll deduction purchases of U.S. Defense Bonds. Nearly nine out of each ten of our employees are helping their country while they save by participating in this plan."

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• the patriotism and sound sense of the Allegheny Ludlum employees who know that every dollar they invest *each month* in U.S. Defense Bonds is a double duty dollar—it helps to keep America strong . . . it builds personal security for the employee.

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THE MORTGAGE BANKER

Mortgage Company President Advises:

"INCLUDE COMBINATION WINDOWS IN YOUR ORIGINAL FINANCING"

WILBERT E. MILLER
President
Fraser Mortgage Co.,
Cleveland, Ohio

In a recent address before the Ohio Chapter, American Institute of Real Estate Appraisers, Mr. Miller stated, "During the past several years we have been constantly annoyed by people buying a small home which is quite incomplete, causing them to make several purchases including storm windows and screens. Then the mortgagors become overburdened by several Title 1 notes and we are faced with a collection problem." Mr. Miller then cited the example of a builder who installed Rusco Prime Windows complete with screens and insulating sash in 47 new homes, and said, "The 47 houses were sold before the roof was on the fifth home . . . and it is interesting to note that by including these items under the original financing, the nominal increase in the monthly mortgage payment is probably less than the fuel saving made possible by the use of the combination windows."

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HOW MUCH A MAN MAKES
Not Determined By Boundaries

Family income—and of course the ability to finance home ownership—varies widely by cities and sections

IT ISN'T the size of the city that determines the extent of a man's financial success, it isn't the section of the country and it isn't even the fact that he lives in a city at all. It's a lot of other things, most of which probably can't be accurately identified. But that financial success, as determined by income, does vary is recognized—and new census data discloses how much variation there is.

Special studies made by the U. S. Bureau of the Census on the population characteristics of the nation's leading metropolitan areas and their variations in family income provide a significant commentary on the broad distribution of opportunity existing in the nation today.

These figures show that the size of a city does not necessarily determine the size of the income of the average family living there, and that many a smaller city is apt to offer equal or better chances for financial advancement on the average than the big ones.

For example, the New York-Northeastern New Jersey metropolitan area is by far the largest in the nation on a population basis. However, it ranked 12th in median family income in 1949 and was outranked by a number of very much smaller metropolitan areas such as Hartford, Rochester and Dayton. As a matter of fact, five of the nation's Big Ten metropolitan centers—Los Angeles, Philadelphia, Boston, Pittsburgh and St. Louis—were well down on the list.

The 12 top ranking metropolitan centers in median family income in 1949 of 54 such areas, with the proportion of families in selected income groups:

Metropolitan Area	Median Family Income	Pct. of Families Under $2,000	Pct. of Families $5,000 & Over
Washington	$4,130	14%	38%
Detroit	4,090	13	34
Chicago	4,051	13	35
Cleveland	3,996	15	35
Milwaukee	3,900	12	29
Hartford	3,818	14	31
San Francisco-Oakland	3,817	14	28
Rochester	3,788	16	29
Seattle	3,775	16	30
Dayton	3,772	14	26
Minneapolis-St. Paul	3,748	16	27
New York-Northeastern N. J.	3,734	18	30
All U. S. (Urban)	3,486	18	25

Source: U. S. Bureau of the Census.

The No. 1 city in median family income was Washington, with half the families in the nation's capital having incomes of $4,130 or more in 1949. Washington currently ranks 10th in population among the metropolitan areas. Its high level of family income largely reflects the great growth of the Federal Government over the last two decades.

Two of the nation's biggest cities, Detroit and Chicago, are in second and third position in median family income ranking, Detroit with $4,090 and Chicago with $4,051. The next two, however, Cleveland and Milwaukee, are not among the 10 biggest metropolitan areas, and No. 6 on the median family income list is Hartford, which the last census rated in 47th place among metropolitan areas on a population basis.

From the broad geographical point of view, half of the 12 leading cities in median family income were in the Middle West. Four others were in the East, and the remaining two were in the Far West.

In general, cities which ranged high in median family income had a larger-than-average number of families in the $5,000 a year and over income class and a smaller-than-average number of families with incomes of $2,000 a year and over. For example, nearly four out of every 10 families in Washington were in the $5,000 and over income bracket in 1949, and Chicago, Cleveland and Detroit had nearly as high a proportion.

MORTGAGE FIRMS on the GROUND FLOOR

Looking in on some more new mortgage offices over the country

"WE CAN do a better job on the ground floor."

That seems to be what an increasing number of mortgage banking firms have concluded when they decided to move their offices to larger space or construct their own buildings.

As was noted in previous articles in this series on modern mortgage office design, the trend is again noticed in the new quarters which the Fraser Mortgage Company of Cleveland recently occupied. This firm moved to the Union Commerce Arcade, and one of the principal reasons, said W. E. Miller, president, was because "our clientele had increased to the point where it could not adequately be transported on the elevators as was necessary in our previous location."

Space occupied is 4,000 square feet. The new quarters embody all the new things customarily seen today in modern office planning, including air conditioning, soundproof walls and fluorescent lighting. A lunchroom is being installed for employees.

Another mortgage banking firm has moved into a new building, designed and built especially for its own use. It is the Mortgage Investment Corporation of San Antonio whose new structure of brick and concrete has three floors facing Commerce street in the downtown area and four floors facing the San Antonio River. It houses the Corporation and affiliated enterprises, Cadwallader and Son, insurance agency with more than 100 local agents over the state, Cadwallader and Van Horn, local insurance agency, and Cadwallader & Company, investment company. A. H. Cadwallader, Jr., heads the Corporation.

A modern mortgage office interior—the Fraser office in Cleveland

Designed and built for a mortgage company—Mortgage Investment's new office

PREFABS HAVE GAINED WIDE PUBLIC FAVOR

THE prefab home is no longer "swimming up-stream." That it has arrived would seem evident from current construction figures as well as the rapidly growing public acceptance seen everywhere.

Production of factory-made homes in the first nine months of 1951 has matched the industry's output for the corresponding period of last year.

"This performance was accomplished despite a drop of 23 per cent in all new housing activity and in the face of some tough competition from conventional builders, many of whom have copied the techniques and methods of the prefabrication industry and have applied them at the site," said John C. Taylor, Jr., president of Prefabricated Home Manufacturers Institute.

Mr. Taylor is also president of American Houses, Inc., New York.

"Our industry is now firmly established, our product is generally accepted by intelligent builders and home owners and mortgage companies like it.

"We have reached a place where we are no longer 'swimming up

(Continued page 17, column 2)

Are PENSION FUNDS *the Answer to* WIDER MORTGAGE INVESTMENT?

Pension funds are growing faster than any pool of investment money in the country but they hold few mortgages. Has our industry been asleep here?

CONSIDERABLE evidence is accumulating pointing to the fact that investors who in the past have furnished the new money in the mortgage industry may not be able to produce sufficient funds in the next decade to properly serve the residential building field. If the country completes only a portion of the contemplated program for the restoration of blighted areas and the rebuilding of slums, it begins to appear that we must find new sources of money. And, of course, the industry must still take care of the mortgage financing needs of the new families which are being formed each year.

The life insurance companies and the savings banks have almost completed the shift in their portfolios from bonds to mortgages. From now on the industry can look to them only for the percentage of new money which they allocate to mortgages in addition of course to the payments received from existing mortgages.

Where then is this new money to come from?

It is natural and logical to look at pension funds.* These funds already aggregate ten billion dollars and are growing faster than any other pool of investment money. Actuarial computations are generally based on low interest yields—about 2½ per cent. Consequently these funds are usually invested in risk-free securities, mostly high-grade bonds and a rather small percentage of preferred and common stocks. Almost no investments are in mortgages.

Probably mortgage lenders have been too busy to educate these funds —yet this seems a poor excuse when we compare the attractiveness of a mortgage with that of high-grade bonds. Such apathy seems almost inconceivable when it is realized that many of the largest pension funds derive their money from companies which are vitally interested in the prosperity of the building industry.

The mortgage industry will do well to familiarize itself with the operation of the pension fund. Generally speaking, there are two kinds of pension funds. In one, the company itself or individual trustees (usually company employees) dictates the policies and invests the money. In the other, a corporate trustee invests the money either with or without the advice of the company. Both types are administered by men who are experienced bond men—rarely by anyone who knows or cares much about mortgages.

An Opportunity for Us

Here lies our industry's opportunity—here is our chance to educate these men as to the many advantages and the freedom from risk in the insured mortgage field.

But after a desire has been created to own these mortgages, there is still one major obstacle which must be overcome: and that is the work involved in managing these mortgages.

Here is a suggested solution—but a note of caution is in order: it won't work unless the pension fund has complete confidence in the mortgage banker.

The pension fund must give the mortgage banker an order for the investment of a definite number of dollars and it must lay down certain specifications for the kind of property it wants to lend on and the quality of borrower credit it expects to have. From then on, the mortgage banker proceeds to "fill the order". When he has done so, he takes all the mortgage papers to the local title company or trust company for permanent safekeeping. This title or trust company will certify to the pension plan that it has examined all the documents and finds that so many dollars are due to the mortgage banker. The pension fund pays the bill and then the mortgage banker starts a servicing relationship that can be very efficient and very simple.

The mortgage banker should send a check once each month for the total of principal and interest collected, less the servicing fee involved. All escrow funds will be kept by the mortgage banker who will attend to the payment of taxes and insurance. At the end of each calendar year, a competent C.P.A. will audit the work of the mortgage banker and will certify that it is correct. At the same time, he will reconcile the individual balances for each loan with the aggregate monthly payments made each month. No other record is maintained by the pension fund and all records in the office of the mortgage banker belong to the pension plan. A fidelity bond written by an insurance company is furnished by the mortgage banker.

Such a plan can be very simple but it means a delegation of authority to a mortgage banker which is not usually granted. It may mean the mod-

*The industry is taking its first broad-scale look at the subject on November 28 when the possibilities will be explored at the conference *Magazine of Building* is calling in New York. This follows smaller earlier meetings in which various MBA members have participated and which pension fund officials have attended. This time a much larger group has been asked, including pension fund officials from a wide list of companies in all industries.

ification of some of the pension plans so that such authority may be delegated. It means a complete expression of confidence in the mortgage banker and the assumption by him of great responsibility. But it does mean the elimination of unnecessary duplications and red tape and it will produce a much higher net yield to the pension fund. And it will prove to be an investment with greater freedom from risk than any investment other than government bonds.

Practically all kinds of employee benefit and retirement plans have been expanding rapidly but the pension funds have been growing fastest of all.

Growth in Recent Years

Most striking advance has occurred in the classification of employer contributions to private pension and welfare funds. These contributions amounted to \$2.4 billions for 1950. Little more than a decade ago, in 1940, employer contributions to such funds came to less than \$200 millions, while back in the 1929 boom year they were even smaller. They crossed the billion dollar mark in 1946 for the first time.

The manner and speed with which pension and welfare funds have been growing since the end of World War II is of special significance under today's conditions, with far-reaching social and economic implications for the future of the nation. In operation, such plans help the worker to build up a measure of financial independence in his productive years. Thus the growth of pension and retirement funds obviously tends to meet the problems resulting from a lengthening life span and an aging population, and therefore helps to avert the danger of an intolerable financial burden being thrown on society in the future.

Group insurance of various types—life, annuities, and accident and sickness—has played an important role in the growth of pension and welfare fund payments and coverage in the last few years.

More than 19 million individuals are now covered under group life insurance, for example, and over 2 million under group annuities. In the field of health insurance, more than half the entire population has hospital expense benefits under various private plans. Total premiums and considerations paid to insurance companies for group life, group annuities, and group accident and sickness came to nearly \$1.9 billions in 1950, more than double the 1946 total. Employers pay a large part of these premiums.

In all, non-wage payments for the benefit of employees in private business, including the employers' share of Social Security taxes, aggregated \$6.2 billions for 1950. This sum was more than triple the comparable payments in 1940 and is some 15 times the total of such payments in 1929.

The aggregate private non-wage payments last year were the equivalent of 5 cents of every dollar of the total wage and salary bill of private business and industry for 1950, the highest such proportion on record.

Took Lots of the 2¾s

Federal, state and local Government combined, in their capacity as employers, had a non-wage bill of \$1.3 billions for 1950, the largest part of it representing contributions to the retirement plans covering workers on the public payroll. Total non-wage and salary payments, therefore, Government and private, added up to \$7.5 billions for 1950, and the annual rate in the first half of this year was more than a billion dollars higher. The comparable figure for 1940 was \$2.2 billions, while in 1929 it was only \$600 millions.

An important by-product of the growth of pension funds over recent years is that it has created a new and significant source of investment and capital funds.

Just exactly how much money these funds in the aggregate have accumulated is not accurately known although we have used a \$10 billion figure for pension funds. One straw in the wind, as to size, however, is the fact that back in May pension and retirement funds were listed as subscribing for \$1.8 billions of the new U.S. Government 2¾ per cent issue brought out at that time.

Another indication is a Government study which estimated that self-administered pension plans alone had assets of about \$5 billions in 1949. This study also stated that investment income of private pension funds was about equal to payments to beneficiaries, and that they were therefore growing by approximately the amount of their annual contributions, estimated at \$1.5 billions a year.

It's no wonder that pension funds are growing rapidly. The facts as to why they are growing can be found easily in the changing pattern of our population. Investors Diversified Services, Inc., recently pointed up these facts in an analysis showing that less than half the nation's men and women who are 65 or over have enough personal money income to meet "a modest annual cost-of-living budget."

"Failure to practice long-range money accumulation and investment habits on a self-obligated basis in this generation can raise future cost of public and private support of the aged to record levels.

"Nearly 3,500,000 persons of 65 or over in the United States had no money income last year either from earnings or from capital accumulation or investments of their own. Of the 7,800,000 aged men and women having some personal income last year, one-third received less than \$500, according to government figures."

The median personal income of all

(Continued on page 32)

CO-OPERATIVES

Are Here to Stay

By MAURICE R. MASSEY, JR.
President, Peoples Bond & Mortgage Co., Philadelphia

A GOOD many months have passed since the enactment in 1950 of Section 213 of the National Housing Act. Now might be an appropriate time to take a look at co-operative housing operations.

To be sure, properly planned and well-located conventional co-operative apartment developments in large cities, such as New York and Chicago, find adequate mortgage financing readily available at interest rates from 4 per cent to 4½ per cent, and a number of large "co-ops" in New York are now being refinanced on these terms. These observations, however, are not concerned with FHA operations under Section 213—the insured mortgage program for co-operatives.

M. R. Massey, Jr.

Section 213 provides for mortgage insurance on two types of co-operative housing developments. One is the so-called sales type where the individual co-operators may actually take title and be released from the original 213 blanket construction mortgage after completion of the dwellings. Generally, only single family dwellings are provided in this type of operation and the 213 provisions make available an ideal insured construction loan device. The other—the so-called management type — contemplates the construction of either single family houses or multi-unit structures and the co-operators become permanent tenants and stockholders in the co-operative owning of the corporation upon completion. Again, an ideal insured construction loan device is provided with permanent financing continued under the terms of the original blanket 213 mortgage.

Both of these loans bear interest at 4 per cent and may be for terms as long as 40 years.

Despite financing difficulties and some early reluctance on the part of long term lenders to become interested in this phase of FHA's activities, the program has taken hold reasonably well and now constitutes a substantial segment of FHA's insured mortgage business.

As of October 26, 1951, FHA had actually insured mortgages covering 31 co-operative housing projects for $61½ million for 6728 units. FHA has commitments outstanding on 23 additional projects for $38 million of mortgages involving 4155 "co-op" units. Further, it has Eligibility Statements (pre-commitment procedure) for another 61 projects, totalling $55½ million in mortgages pertaining to 6232 dwelling units. Since the beginning of the program, FHA has entertained applications on a total of 522 co-operative projects, totalling mortgages of over $575 million and relating to the construction of 61,000 dwelling units. Here, indeed, is a sizable housing program.

The whole program faltered in the beginning and again last spring and summer for the want of substantial interest on the part of long term lenders in these 4 per cent loans. But the tight situation in the mortgage market has eased somewhat and many co-operative housing projects have found adequate financing.

On October 30, 1951, the President signed Public Law 243, 82nd Congress, which makes available on a set-aside basis $30,000,000 of FNMA mortgage funds for advance commitments covering Section 213 projects where FHA had issued a commitment or a certificate of eligibility prior to June 29, 1951. Only $3½ million of this authorization may be allocated for 213 operations in any one state. This legislation will provide a further impetus to the 213 program in that many projects that can qualify for FNMA financing may go forward. It may also attract further interest on the part of large lenders.

One may hear on all sides that there are numbers of 213 projects being delayed from starting construction because of the lack of permanent financing. This situation is perfectly true, of course, but on the other hand, many well-conceived 213 projects are going forward as evidenced by FHA's figures given here. Two of the largest life insurance companies have issued commitments to purchase permanent 213 loans involving large developments in several sections of the country. Three of the largest commercial banks have agreed to take Section 213 loans both on a construction loan and permanent mortgage loan basis. Several savings banks have insured commitments to purchase permanent loans under Section 213 involving both management type and sales type projects. Interest in the program has increased considerably.

The mortgage market continues to improve, and as a greater volume of mortgage funds become available for investment, so will many more Section 213 projects get under way.

This form of financing is well suited to the objectives of prospective co-operators, public interest groups, industrial plants needing housing, military and defense establishments, and the advantages accruing to builders and land developers are too numerous to spell out here.

(Continued page 32)

Our CHEAP MONEY POLICY *Has Been Highly Inflationary*

The rainbow we've been chasing isn't there—and never was.

By HARLEY L. LUTZ

WHEN a person or a nation sacrifices a great long-range good for a cheap, temporary advantage, it is like burning down the house to keep warm. That's what we've been doing with our cheap money policy.

The cheap money policy is always used in an emergency. It was applied during the Civil War and in World War I. We have had a continuous plague of it over the last 18 years because, according to the Administration's definition of an emergency, this period from 1933 to date has been one of continuous emergency.

By the cheap money policy I mean the decision of the Treasury to borrow at artificially low rates of interest and to prevent the low-interest bonds from falling below par in the market by "pegging" bond prices.

The argument used to justify this policy has been that payment of interest rates consistent with a free money market would add greatly to the tax burden for interest charges. By artificially depressing interest rates it is possible to increase the public debt greatly without a corresponding rise of taxes for interest. And, by borrowing on these deceptive terms, to pay a substantial part of the government's expenses instead of levying taxes, government is able to pose as a great humanitarian benefactor of the people, doing many wonderful things for them at a very little cost.

The cheap money policy is a violation of the ordinary principles of business and human behavior. The citizens do not respond to an unbusinesslike proposition, although by beating the drums and waving the flag a certain amount of cheap money paper can be unloaded on them.

It is possible to sell such paper by an appeal to patriotism, but we can't make it stay "sold." For example, to June 30, 1950, more than $896 million "E" bonds of the $25 denomination had been sold, and more than $605 million of them had been redeemed.

Since the people will not buy and hold low-interest bonds as an investment, the one market that cannot refuse them—the banks—has to take the balance. The result is an expansion of bank credit which is the fountainhead of inflation. And inflation costs the people far more than the cost or burden of the taxes that would have been required to establish such debt as had to be issued on a sound investment basis.

This can be demonstrated from the experience of the war years 1941-1946. In this period, total Federal expenditures, expressed in current dollars, were $382 billion. In the same period, total interest charges were $15 billion. If there had been no inflation from 1939 onward, the total Federal spending for the same goods and services, in terms of the 1939 dollar, would have been $279 billion.

Thus, the inflation cost us $103 billion over the six years! If interest rates had been high enough to induce the people to buy, out of current income and savings, such bonds as were necessary, there would have been no inflation, or at most only a little, by comparison. The total interest cost would have been more than $15 billion, but even so it would have been much less in dollars than the inflation cost.

The cheap money policy seemed, at the time, to be smart politics, but it was dumb economics. It was burning the house to keep warm.

Congress has failed or has been unable to control spending. Even before the Korean war began there had been a big increase in the budget from the low point of $33 billion in 1948. When the Korean incident made it evident that large defense spending was ahead, the obvious and natural step would have been to reduce nonessential spending to the bone, and to examine carefully all military and foreign-aid requests to make certain that these sections of the budget were realistic.

This has not been done. On the contrary, the country has been flooded with propaganda to show that no reductions are possible and the President has accused the economizers of using "butterfly statistics." In consequence, we are to have budgets for 1953 and 1954 that will be close to the maximum spending of the last war.

It is this budget prospect for 1953 and 1954 that has provided Congress with an excuse for scuttling pay-as-we-go. The Administration has never given the idea more than luke-warm

Of all the many economic schemes tried in this country in the past two decades, nothing has been quite so expensive as the policy of artificially-created cheap money. What we've actually been doing says Dr. Lutz, is "burning our house down to keep warm." It's been as costly as anything a nation ever did, as he explains in dollar and cents facts.

He thinks, too, that the time is certainly here for a more realistic appraisal of our thinking about taxes. Too much emphasis on income taxes has just about led us to the end of that road. What we ought to consider is a consumption tax, and he tells why. Dr. Lutz is internationally known as an economist and was formerly professor of finance at Princeton University. He now acts as tax consultant to the National Association of Manufacturers.

lip service. The rug has been pulled from under pay-as-we-go in face of the indisputable fact that a resumption of large scale deficit spending will mean a renewal of the inflationary movement. We know from hard experience that inflation will cost more than taxes, now and for a long time hereafter. The unwillingness to levy the taxes necessary to pay the bill and the apparent readiness to expose the people from here on to the inequities of more inflation is another case of burning down the house to keep warm.

Both the government and the people must be supported out of current product. If government takes a large proportion, there will be an abnormal inroad on standards of living. Whether we can really afford this inroad or not depends on what we have left to live on.

If it will keep soul and body together we can afford it, *provided* the cause for which we shall have given up all else is one in which we believe strongly enough to make the sacrifice.

If the goods and services are taken, as they will be, no harm can come from taking enough of our incomes to pay for them. If the income is not taken—if government creates its own buying power by inflating credit—then the excess of money over goods will simply be used to bid up prices, and this is the evidence of inflation that is most impressive to the people.

"The inflation cost us $103 billion over six years! If interest rates had been high enough to induce the people to buy out of current income and savings, such bonds as were necessary, there would have been no inflation, or at most only a little by comparison. The total interest cost would have been more than $15 billion, but even so, it would have been much less in dollars than the inflation costs."—Harley L. Lutz

Where there is no excess of money over goods, a general price rise is most unlikely.

We can supply government with what it needs, and also provide enough for ourselves, if we can maintain and expand production. Certainly we need not now contemplate or fear the dread spectre of a starvation diet, rags and tatters, roofless houses, and the other privations typical of the siege of Paris in 1871. Some things we must give up, but the overall effect of the defense effort on living standards will be mitigated to the extent that more goods and services are produced. And in so far as production is increased, there will be more private income and hence it will be even less burdensome to pay whatever taxes are required for pay-as-we-go than if there were no production increase as a counterbalance to the government's withdrawals.

The new tax bill exemplifies the trend toward extreme reliance on the income taxes. This reliance on income taxes has been developing ever since 1913, and especially since 1939. In 1939, income taxes produced 42 per cent of net budget receipts, but in the original budget estimates for 1952 the proportion from income taxes is 83 per cent. This will be raised still more under the new tax legislation.

For the first 125 years of this nation's existence there were no Federal income taxes except for a few years during and after the Civil War. During this century and a quarter the nation grew rapidly in population and

wealth. All of its great basic industries, its railroad and communications systems, its national state banking systems, and its farflung system of distribution and trade, were all established before 1913.

While we have prospered since, this later growth was based upon, and made possible by the immense, solid foundation of capital, technology, managerial and labor skills, that had been so well laid before we ever taxed incomes as such.

Two major fallacies underlie the current over-emphasis on income taxes. The first is the assumption that the only need, purpose, or function of income after taxes is to cover the living needs of the recipient. Hence, if one person has more income after tax than another, it is assumed that part, or even all, of this excess can and should be taxed away. This assumption disregards a major use of income which is to be saved and invested to expand the nation's capital equipment. It was by such saving and investment that the United States had become, by 1913, the greatest industrial nation in the world. We may be absolutely certain that this growth would not have occurred if there had prevailed, from 1789 to 1913, the kind of income taxation that we have had during the last 20 years.

A second fallacy is the assumption that there is both an economic and a moral wrong in the inequality of incomes, which leads to the conclusion that this wrong must be corrected by the leveling process of excessive taxation of the middle and higher incomes.

We have in large degree neglected the field of consumption taxes. For a long time the Federal Government paid its expenses and paid off a large part of its debt out of revenues derived very largely from consumption taxes, including the customs and the internal excises. There was no tax penalty on savings, and the people were able to put aside and plow back enough of their current income to create the great prosperous economy of private capitalism which is now the object of attack by Communists, Socialists, fellow travelers, and the misguided idealists who support the present destructive taxes on savings.

Various Congressional leaders have said, publicly or privately, that it will be necessary to enter the consumption tax field if we are to get substantially larger revenues than now. Yet, thus far, they have ducked the broad consumption tax.

One contention that is certain to be advanced against a general consumption tax must be dealt with. It is that such a tax is "loaded" against the low income groups.

"A resumption of large scale deficit spending will mean a renewal of the inflationary movement. We know from hard experience that inflation will cost more in taxes, now and for a long time hereafter. The unwillingness to levy the taxes necessary to pay the bill and the apparent readiness to expose the people from here on to the inequities of more inflation is another case of burning down the house to keep warm."

—Harley L. Lutz

The bulk of the revenue from a consumption tax will probably come from the low and middle incomes, for that is where the great part of the income is and where the great part of total consumption occurs. In 1951, it is estimated, the people will spend at least $200 billions for consumer goods and services. Obviously, only a small part of this total will be spent by the relatively few persons with sizable incomes.

But the kind of consumption tax that I have proposed will not burden unduly any particular small income. We recommend exemption of foods and food products. Rent, being a service, is automatically excluded as are other services. All of the studies of consumer spending that have been made indicate that only about a third of total income, even in the income groups up to $7,500, would be spent for goods subject to the uniform excise.

Furthermore, this tax does not fall on savings, as does the income tax. On the contrary, consumption taxes confer a positive benefit on those who, regardless of the amount of income, elect to save rather than spend.

Inflation is "loaded" against the small income groups, too, for those with small incomes cannot even engage in such "hedging" operations as the economic witch doctors may prescribe. These little income folks have to meet inflation head on.

What we all must recognize is that no one can be completely and permanently protected against inflation. We have a clear, simple choice, that of paying by taxation or by inflation. The burden of a consumption tax is determined by the rate. This burden is measurable and controllable. The toll exacted by inflation is neither measurable nor controllable. It is no kindness, but a terrible unkindness, to those with small incomes, to burn the house to keep warm by refusing the support that a broadly based excise tax system would give to the Federal finances on the ground that everybody would have to pay a part of this tax.

MORE MORTGAGES FOR MUTUAL SAVINGS BANKS

By AUGUST IHLEFELD

IN THE investment policy of the mutual savings banks, during the first 30 years of the 20th century, mortgage lending became increasingly important, while financing of government was a minor factor.

From 1930 to 1945, private lending contracted while lending to government came to the fore as the main outlet for investment funds.

Since 1945, the trend has been reversed again, with mortgage lending expanding rapidly and lending to government slowly declining in relative importance.

Mutual savings banks today have invested nearly half of their deposits in U. S. Government securities, rated as non-risk assets. The proportion has been declining. In the next two or three years, should the Treasury incur heavy deficits because of defense spending so that offerings of long-term bonds to institutions on attractive terms are resumed, mutual savings banks may again become important net buyers of government bonds.

This would be a sound way to combat inflation. But, over the longer run, it is probable that holdings of government securities will decline further as savings banks devote new deposits to financing the needs of private enterprise. With peace and a relaxation of international tension, government bond holdings of mutual savings banks could gradually decline to a point where they constitue a quarter of deposits. They would then still be a larger proportion of deposits than was the case in 1939.

Mutual savings banks have pursued a conservative policy in the selection of risk assets. Most of the bonds held are of the highest rating. A large proportion of mortgages held are indirectly backed by the credit of the U. S. Government, through FHA insurance or VA guarantees.

The rest of the mortgage portfolio consists largely of carefully selected liens, enjoying regular annual amortization, on single and multiple dwellings built mainly for middle-income families. In addition, reserves are being set up against possible future losses on mortgages and these reserves have now reached considerable proportions in many institutions.

The ratio of capital funds to deposits of mutual savings banks is better than 11 per cent for the entire system, as compared with less than 8 per cent for all commercial banks. The ratio of capital funds to risk assets exceeds 19 per cent, as compared with approximately 17 per cent for all commercial banks.

These statistics add up to a picture of great reserve strength for mutual savings banks.

Were it not for the yield factor, a savings bank, from its own viewpoint, would hardly be justified in holding anything other than government bonds. A trustee is not justified in assuming risk for risk's sake, without adequate compensation. Risk is justified only where necessary to realize a reasonable rate of return on savings.

The yield on government securities provides a yardstick by which all other yields can be judged.

Long-term marketable government bonds now provide a return of approximately 2.60 per cent. Such bonds provide the highest degree of safety and liquidity, and involve limited risk of market depreciation should interest rates rise. To secure greater market stability by spacing of maturities, a savings bank would have to hold some shorter-term issues that would bring the market return down to nearer 2.50 per cent.

In comparing the net return available from alternative types of investment, with yields available on government obligations, the expenses incurred in making and administering them must be considered. For example, a mortgage portfolio creates a considerable burden of expense, and only the net return to the bank after such expense is fairly comparable with the yield on governments, which involve a minimum of administrative expense.

FHA insured mortgages now give a return, after servicing costs, of 3.75

The year now drawing to a close has witnessed some sudden and drastic changes in investment policies of institutional investors. The mutual savings banks' pattern of investment has been no exception. But what sort of investment policy are they likely to follow in the future, what investments are likely to increase and which ones are likely to decline?

For one thing, Mr. Ihlefeld believes these institutions will buy more mortgages and, over the long term, he expects mortgages should expand until they again constitute more than half of savings banks'assets. Government bonds will probably decline until they are about a quarter of earnings assets. Corporate bonds are likely to be bought actively only when insurance company demand is less aggressive so that mutual savings banks can obtain yields of about 60 to 75 basis points over those available from long term marketable bonds.

Mutual savings banks ought to be permitted to buy some common stocks, he thinks. They would never form much of their portfolios but they should have some. (In Massachusetts they can now buy common stocks of banks only.) And since the mutual savings banks are now being taxed for the first time, they're tax conscious in their investment purchases. Mr. Ihlefeld analyzes their position on that too. He is president of the Savings Banks Trust Company of New York, owned by the mutual savings banks in that state.

per cent to 3.90 per cent, or a yield differential of perhaps 1 per cent compared with governments after allowance for expense factors. A small part of this difference may be put aside as a reserve against costs of foreclosure in the event of default and invocation of the insurance provisions. A reserve of 1/20 of 1 per cent per annum, to accumulate a total reserve of 1 per cent of face value of FHA mortgages held, is considered adequate by many bankers. Mortgages guaranteed by the Veterans Administration give a narrower yield differential over government bonds. The interest rate is limited to 4 per cent and, since only part of the loan is covered by the guarantee, a reserve of ¼ of 1 per cent per annum is regarded as desirable.

Conventional mortgages are even more attractive, with the home lending rate rising to 5 per cent in many communities. After expenses and a reserve of ½ of 1 per cent against possible future losses, the return is close to 4 per cent, or considerably more than 1 per cent over the yield on governments.

Corporate bonds of high quality yield over 3 per cent now, or about 50 basis points more than governments of comparable maturity. This is a wider differential than was available a year ago, when insurance companies eagerly bid for all the high quality corporates available and held down the differential to around 30 basis points. Most savings banks find a differential of less than 50 basis points between governments and high-quality corporates inadequate compensation for the difference in safety, liquidity and market stability involved. However, whenever the large insurance companies step out of the corporate market, as they did early last summer when their outstanding mortgage commitments were especially heavy, the yield differential tends to exceed 50 basis points and some mutual savings banks again find corporate bonds attractive.

Taxes a Problem Now

Municipal and other tax-exempt bonds have not as a rule been attractive as a class to mutual savings banks. Other investors, subject to high and rising income tax rates, bid up prices and depress yields of tax-exempt obligations. Now that mutual savings banks have been made subject for the first time, to the Federal income tax on earnings after dividends and expenses, tax-exempt obligations become of great interest to them.

In comparing yields from the several types of investments, the return after taxes is most significant. For example, on that portion of income subject to a 52 per cent tax rate, a yield of 2 per cent from municipal or public housing bonds is equivalent to a return of about 4 per cent from taxable bonds of comparable quality. Consideration would have to be given, however, to the fact that investment in long-term tax-exempt bonds involves a risk of market depreciation should income tax rates be reduced in the future, or should a Federal tax on mutual savings banks endure only for the period of the national emergency, or should the supply of tax-exempts be increased so greatly in the future that such bonds would tend to sell at yield levels closer to those offered by comparable quality taxable bonds.

Also, since mutual savings banks have become subject to Federal taxation, the case for equity investment by these institutions is stronger than ever.

Mutual savings banks would be able to step up the average yield derived from their portfolios by investing a small percentage of resources in equities, as life insurance companies in most states are now authorized to do. The average yield available from the common stocks listed on the New York Stock Exchange today is over 6 per cent. Corporations as a whole currently distribute as dividends less than half their net income, so that prevailing dividends have a cushion of protection against a decline in profits.

Over the long run, moreover, the retained earnings should make possible dividend increases, as they have in the past. Massachusetts authorizes equity investment by mutual savings banks, although such purchases are limited to bank stocks. I believe that it would be sound to permit all mutual savings banks to invest in common stocks in amounts not exceeding one-half of their surplus and undivided profits accounts, to raise the average rate of return realized.

(Continued on next page)

Authorization of such equity investment would also conform to the national policy of encouraging corporate financing with equity, as against borrowed, capital.

Intercorporate dividends are taxable only to the extent of 15 per cent of their amount. This means that taxable dividend income to a mutual savings bank is subject to an actual tax rate of 7.8 per cent, whereas taxable interest income is subject to a tax rate of 52 per cent. In view of the favored position of dividend income under the tax law, consideration should be given to permitting mutual savings banks to invest in high-grade preferred and guaranteed stocks meeting specified tests, in lieu of corporate bonds. Such a preferred stock investment authorization should be apart from any authority to invest a limited amount of their funds in common stocks. Life insurance companies have long had such authority.

By increasing the rate of return derived from their portfolios, mutual savings banks will place themselves in position to pay higher rates of dividends to depositors in time. This will enable them to perform even more effectively their basic economic function of stimulating thrift and encouraging savings by offering a more adequate rate of return to the saver.

The mutual savings banks of the country today hold almost $22 billion in loans and investments. Government obligations as the largest single classification, approximate $10 billion; mortgage loans over $9 billion, and bonds other than governments $2.5 billion.

In the period ahead, mortgage loans are bound to increase because of the taking up of outstanding commitments and the making of new loans, while the proportion of government security holdings is likely to decline over the longer run.

The present distribution of assets still reflects the preoccupation with Treasury financing during the World War II period. In time, the mutual savings banks may be expected to devote a larger proportion of their resources to the financing of private enterprise, rather than government deficits. The defense program may temporarily interrupt this trend; with peace, it should soon be resumed.

Over the longer term, therefore, as savings banks continue to grow, we may expect government security holdings to form a declining proportion of portfolios until they are only perhaps a quarter of earning assets, while mortgage loans should expand to a point where they will again constitute more than half the total of savings bank assets. Corporate and other bonds also will probably become a larger percentage of assets, say 15-20 per cent. However, holdings of corporates could form a lower percentage, if tax-exempt bonds should replace them in the favor of savings banks. Generally speaking, corporate bonds are likely to be bought actively only when insurance company demand is less aggressive so that mutual savings banks can obtain yields of about 60 to 75 basis points over those available from long-term marketable governments. Common stocks will probably be bought on a limited scale by savings banks in most, if not all states, once investment laws affecting equity purchases are brought into line with those applicable to life insurance companies. At most, however, equities will provide an outlet only for a part of the funds of mutual savings banks. Buying of both tax-exempt bonds and equities has become very much more attractive, now that mutual savings banks are required to pay a Federal income tax on earnings after dividends and expenses.

These shifts in asset distribution, accomplished gradually over a period of time with careful deliberation, and accompanied by the further building up of reserves against risk assets and of surplus funds against deposits, should accomplish the twin purposes of safeguarding the strength of the mutual savings banking system while paving the way for eventual moderately higher dividend payments to encourage thrift. Moreover, such a prospective asset distribution spells increased service on the part of mutual savings banks to the all-important private enterprise segment of our national economy.

PREFABS' PUBLIC FAVOR

(Continued from page 7)

stream.' Certainly this is an important milepost for us to have passed."

Mr. Taylor declared the general public is coming to realize that prefabricated homes are not "cracker box" construction but that the leading manufacturers are making superior lower-cost homes designed by the country's best architectural talent and fully engineered for durability and comfort.

He pointed out that up to the present time the main difference between so-called conventionally built homes and those assembled from factory-made panels has been that the latter are produced by different methods.

"This is not strange. It is merely history repeating itself. The first automobile was actually a buggy with an engine in it. The first electric sewing machine was the old pedal kind with an electric motor added. The first electric refrigerator was an old-fashioned ice-box with a compressor.

"The idea of an old product with something added continued within these industries until they established the practicability of the thing they were trying to do—design, research and application to the job—then, in each of these industries developed a completely new idea as to what their products could be.

"We have established the practicability of our ideas and I believe from now on our research and development will result in our industry producing a place to live as far superior in appearance, comfort features and cost, as the present-day automobile excels the old buggy as a vehicle of transportation. Not only this country but the whole world needs this development and it must come from our industry. Awaiting this development is the biggest potential market in the world.

"The size of companies and the volume of business which this development will produce is far in excess of anything dreamed of today for our industry."

He said the next phase in the development of the prefabrication industry would be the establishment of more efficient operation methods.

"Our industry has not yet become as efficient as it should be. In establishing merchandising techniques, building our organizations and creating acceptable designs, plus the tremendous amount of time spent in planning with Government housing agencies and local code authorities, there has been little time to watch pennies."

FOR LIFE COMPANIES, PRESENT MARKET IS A PERIOD OF OPPORTUNITY

A good time, says this life company official, to take an analytical, critical appraisal of their operations in the mortgage loan field

By HENRY E. EDMISTON

PRINCIPAL deterrent to new home construction now is not so much the restrictive credit terms but rather the availability of mortgage money. With present high levels of national income there is still a strong market for new houses and the home-builders of the country would be glad to supply this demand if they could offer the prospective purchaser mortgage money on easy credit terms. Present credit terms, particularly as liberalized by the new housing act, are sufficiently attractive to prospective home buyers to provide a market for all of the housing we can safely produce within the limits imposed by our expanding war production program. From the lender's standpoint the terms are not so appealing and consequently institutional investors are not currently making available sufficient mortgage money to meet the demand, and builders are finding it necessary to curtail or postpone building operations for lack of permanent financing.

H. E. Edmiston

Primary factor in the present tight mortgage money market is that the current maximum rates on FHA and GI loans of 4¼ and 4 per cent respectively are definitely unattractive as compared with other available investments. How long this situation will exist is debatable. Officials of the federal housing agencies who have administrative discretion to increase the rates apparently are adamant in holding the line. These officials express the view that this is only a temporary credit stringency and that when the present backlog of mortgage commitments has been digested the institutional investors will be back in the market actively competing for government insured and guaranteed loans at present rates.

My hunch is that time will prove this contention incorrect. High levels of national income and business activity when accompanied by strong inflationary pressures give a new order of magnitude to credit requirements of business and the general public. As we move into new and higher price levels, working capital needs of all business become larger and capital expenditures require more long-term financing particularly when heavy taxes are cutting into profit margins as they are today.

The modest reduction in the commitment figures of the largest life insurance companies of about $750,000,000 from April 30 to August 31 of this year is evidence that the supply of other types of new investments at attractive rates are still available in large volume. Insurance companies now have their commitment accounts spaced more in line with future receipts of funds and are not under the same pressure to liquidate other assets as was true last spring. Nevertheless the commitment account of the industry is probably around $4 billions today, and there appears little evidence that uninvested funds are piling up to an extent that would cause life companies aggressively to seek new outlets in the mortgage field for at least several months.

If the government housing authorities continue to be unwilling to adjust rates to the prevailing market, we will see shortly a marked increase in FNMA mortgage purchases to take up the GI and FHA loans that cannot be placed with private investors. If this happens, the Treasury will be forced to raise additional new cash on top of its current deficit financing and thus add more fuel to inflation. This is particularly serious since the Treasury appears determined to do all of its new-money financing through short-term issues which tend to find their way into commercial banks and thereby increase the money supply.

Another scheme that would have similar inflationary effects is the proposal to invest part of the reserves of the National Service Life Insurance Fund in GI loans. This would also involve additional Treasury financing because the present investments of the Fund would have to be liquidated with money obtained through sales of new Treasury securities in the market. It is a sad commentary on the state of thinking in Washington to have such proposals receive consideration. In fact all government agencies from the Treasury down are seeking to maintain artificially low interest rates regardless of the immediate inflationary effects upon the economy, apparently in the hope that at some time in the future these low rates will again be justified by market conditions.

Too many insurance company mortgage operations, says Mr. Edmiston, result in aggressive purchasing power at one time and virtually complete withdrawal from the market at another. . . . It would appear advisable for investment officers to key mortgage loan payouts more closely to their funds available for mortgage lending.

That's one of the suggestions Mr. Edmiston makes here on the general idea that the present time is a period of opportunity for life companies to re-appraise and re-analyze their mortgage lending practices and "exercise leadership to promote sounder and more stable conditions in the mortgage market generally."

He says life companies ought to advise correspondents of the amount, type and terms of the loans they propose to buy in 1952. Companies which contemplate entering, or expanding their operations in, the mortgage field are probably passing up an opportunity if they delay. Many fine companies have lost their outlets because of withdrawal from the market, he observes. They are well-established locally and, for insurance companies, this is a good time to establish connections that will supply a steady flow of loans.

Mr. Edmiston is vice president of the Kansas City Life Insurance Company and addressed the American Life Convention on the subject.

For insurance companies the present tight mortgage money market poses a number of problems. At the same time it offers them an opportunity to improve their mortgage lending practices and exercise leadership to promote sounder and more stable conditions in the mortgage market generally. Here are some specific areas of mortgage lending activities where such opportunities exist:

» Insurance companies, particularly those which operate largely through correspondents, should give more thought and attention to allocating funds for mortgage loans. In the interest of stability it is desirable that there be a relatively even and steady flow of money into mortgage channels. Too many insurance company mortgage operations result in aggressive purchasing at one time and virtually complete withdrawal from the market at another. This type of buying plays into the hands of the Government housing authorities since it gives them an excuse for using the secondary market provided by FNMA to smooth out these fluctuations in the availability of private mortgage funds. The government officials are now pointing to the fact that insured and guaranteed mortgages were bid up to excessive premiums as recently as 1949 and say that they do not want to increase the maximum interest rates now because this might occur shortly again. Moreover, if a substantial amount of mortgage credit is supplied through a secondary government market there is more pressure to have the home-building itself provided through public housing programs which all of us want to see held to a minimum.

It would appear advisable for investment officers of insurance companies to key mortgage loan pay-outs more closely to their funds available for mortgage lending. This involves more careful and continuous analysis of commitment accounts in relation to receipts. We should avoid the situation which occurred in 1950 of making excessive mortgage commitments because we thought the mortgage market would dry up by the spring of 1951. This turned out to be particularly unfortunate because of the decline in government security prices to below par and sales of governments to obtain funds to meet excessive mortgage commitments were no longer profitable. My own view is that there will be a sufficient volume of mortgage loans available in 1952 to absorb the amount of funds insurance companies will allocate for mortgage investment. Therefore, there is no need for us to repeat the mistake of a year ago in making heavy commitments now for next year delivery.

» As a corollary to this, the life companies should advise correspondents as to the amount, type and terms of the mortgage loans they propose to buy in 1952. Such instructions in this period of relatively tight mortgage money would do much to influence mortgage lending practices throughout the country. Life insurance companies, because of the national scope of their operations, are in a far better position to exercise leadership in the mortgage market at this time than any other type of lender.

» Those companies which have contemplated entering or expanding operations in the mortgage market but are now reluctant to do so because of the higher yields that can be obtained on investment securities are perhaps passing up a favorable opportunity. There are many fine mortgage loan companies which have lost their outlets through withdrawals from the mortgage market. These companies are well established locally and can produce a good volume of mortgage loans. For an insurance company, this is a good time to establish new connections that will supply a steady flow of mortgage loans over a period of years.

» For companies which have been active in the mortgage field it is a time to reward correspondent loyalty by staying in the market even if on a reduced scale. This period can be used to cement and strengthen correspondent relations for the years ahead.

» All insurance companies should use the tight situation in the mortgage market to improve the quality of their mortgage loan portfolios. Un-

MBA EVENTS IN 1952

January 14-16: Conference for Men under 35, Hotel Mayflower, Washington, D. C.

January 29-31: Sixth annual Senior Executives Course sponsored by MBA with the Graduate School of Business Administration of New York University.

February 14-15: Middle Western Mortgage Conference, Drake Hotel, Chicago.

March 11: Regional Clinic, Hotel Peabody, Memphis.

March 13: Regional Clinic, Atlanta-Biltmore, Atlanta.

April 14-15: Eastern Mortgage Conference, Hotel Commodore, New York.

April 29: Regional Clinic, New Washington Hotel, Seattle.

May 2: Regional Clinic, Hotel Biltmore, Los Angeles.

June 16-20: Fifth Annual Mortgage Banking Seminar, Northwestern University, Chicago.

June 23-25: Second Advanced Mortgage Banking Seminar, Northwestern University, Chicago.

September 29-30 and October 1-2: 39th Annual Convention, Conrad Hilton Hotel, Chicago.

derwriting standards can be tightened up with respect to security, borrower standards, prepayment restrictions on conventional loans and amortization terms. The loans which were made on somewhat marginal cases during recent years have naturally improved with the passage of time and the rise in property values. Tighter underwriting standards on new loans now should, therefore, place our mortgage loan portfolios in fairly good shape to withstand a period of trouble in the future. Regulation X is already a step in this direction and no doubt we have all been impressed by the much better quality of loans which have been submitted for our consideration during the past year.

» The farm loan field has perhaps not received the attention from life insurance investment officers in the recent past that may be warranted in the future. Practically all insurance companies have liquidated their farm real estate which was accumulated during the depression and with the high farm income of the war and post-war years farmers have built up a strong liquid position. The farm mortgage debt, while it has increased in the post-war years, is still relatively low and from a volume standpoint farm loans have not bulked large in life insurance investments. Nevertheless there are some factors in the agricultural credit situation that deserve careful consideration by long-term investors. At present it is estimated that 70 per cent of the farms of the country are free of mortgage debt. In the post-war period a large part of the heavy capital expenditures by farmers have been financed through short-term credit extended by commercial banks, by production credit associations and by equipment and feed companies. With a tighter credit situation at the commercial banks there has been more inclination by farmers to finance through real estate mortgages. We may expect continued high capital expenditures by farmers faced with labor shortages and higher labor costs and this should also result in a larger demand for long-term mortgage credit than has been true during the last 10 years. Another factor that should not be overlooked is that the average age of the owners of farms, although reduced to some extent in the years since the war, is still abnormally high. This means that over the next few years a larger amount of mortgage financing may be required in connection with the transfer of ownership of farm properties to tenants and younger farmers who are not as strong financially as present owners.

It would appear, therefore, that the farm mortgage market may provide a larger volume of potential investments to insurance companies at attractive rates. With the increased mechanization and the trend toward larger farming units, mortgage lending practices should give greater weight to management than perhaps has been generally true in the past.

» Finally as an observation on the longer-run outlook for the mortgage market I would like to take exception to the position that has been given considerable publicity recently to the effect that the housing market may be reaching a saturation point. This might be true if we were facing a severe letdown in economic activity. Even with a peace settlement in Korea, however, it seems unlikely our rearmament program will be materially reduced at least for the next year or two. National income is still rising and should rise further with continued expansion of war production. There will be large housing needs in war production centers and in numerous other areas where there is still a marked housing shortage. Moreover, the rate of new family formation, the growth of existing families because of relatively high birth rates, and the ability of the homebuilding industry to stimulate demand by new styles and other improvements in their products, should make for an active housing market for many years unless we encounter severe economic depression. Under these conditions the prospective supply of mortgages should be sufficient to give mortgage lenders assurance not to curtail drastically their mortgage organizations in this period when other investments may appear to offer more attractive yields.

Now as to the attitude of the life insurance industry toward legislation and administration of federal housing programs, in my opinion the permanent investors have had too little voice in this respect. The general impression around Washington seems to be that so long as the government is insuring or guaranteeing mortgage loans, institutional investors should buy them regardless of terms and conditions. Unfortunately, the appetite of institutions for mortgages in the post-war years was so great that this was virtually true.

The situation today is quite different. Investment portfolios of life insurance companies are in much better balance than they were at the close of World War II. Industry-wide U. S. Government security holdings have been reduced to only about 18 per cent of assets. This is a slightly smaller percentage than the industry held at the end of 1939. Government securities of individual companies may be close to the minimum that many companies wish to hold for liquidity or primary reserve purposes. Investment laws have been liberalized and new types of insurance company investments developed. Consequently, we are not under the same pressure to invest our money as we were during the past five years and we can afford to be more independent in formulating our mortgage lending policies.

It should be remembered, for example, that Regulation X and the various Government mortgage insurance programs establish *minimum*

(Continued page 26, column 2)

WASHINGTON CONFERENCE FOR YOUNG MEN IS OPENER IN THE MOST COMPREHENSIVE MBA MEETING PROGRAM

THE largest and most diversified program of meetings MBA has ever sponsored will open in Washington in January with a new kind of conference which is being offered for the first time and which has no counterpart in any association activity. It is our first Washington Conference for Men Under 35 and is the opening event in a schedule which during the first six months of 1952, embraces Mortgage Conferences in Chicago and New York, Regional Clinics in Memphis, Atlanta, Seattle and Los Angeles, the two Mortgage Banking Seminars in Chicago and the Senior Executives Course at New York University. No other Association will have such a broad program of events for its members. *(See calendar page 19.)*

The Washington Conference will be new for 1952 and was created because of a long-expressed desire of President Costa that considerably more of the Association's efforts and attention should be directed to the younger men in the industry. He took an initial step in this direction at the San Francisco Convention when a special breakfast was held for them and some initial planning done. He carried the idea a step further by naming, wherever possible, younger men to the standing and appointive committees for 1951-52. Still another step was taken by appointing a special committee to organize and direct more activities for the younger generation coming along in the Association and in the industry. *(See November issue.)*

The most important effort, however, will be made next month with the Washington Conference which is also significant in that it is being devoted exclusively to that side of the mortgage industry having to do with the federal government's participation in it.

What the Conference will be is three packed days of review, analysis, interpretation and explanation of everything having to do FHA, VA, HHFA, FNMA, Federal Reserve's role, CMP and all the other factors of the government's participation in mortgage lending and related activities.

Admittedly, the government's role is a large and important one—and, as every mortgage man well knows, a complex and complicated one as well. The younger men are very vitally concerned with the federal side of the business.

Washington Counsel Samuel E. Neel will serve as moderator for the three days' sessions; and here is about what the program will include:

WHO WILL YOU SEND?
Look over your staff now to determine those you can send to the Washington Conference. It's an unique opportunity for young mortgage men today.

Monday morning, January 14: President Costa will address the opening session which—as well as the first afternoon—will be devoted exclusively to VA loans. Top officials in VA's Washington headquarters will discuss every phase of VA policies, accounting procedure, claims and foreclosures and regulations. T. B. King, director of VA's loan guaranty division will make the opening VA talk.

Monday evening, January 14: The Washington, D. C., mortgage bankers will give a reception for all attending the Conference.

Tuesday morning, January 15: The entire day will be devoted to FHA with the initial talk by FHA Commissioner Franklin D. Richards, followed during the morning session by a complete discussion of sections 203 and 903, rental housing under 207 and 908, cooperative housing and Title I.

Tuesday afternoon, January 15: Architectural design, land planning, valuation, underwriting, foreclosures, assignments, debentures and servicing will comprise the matters for review during the afternoon, each discussed by the FHA specialist handling them.

Wednesday morning, January 16: No sessions will be held but those attending the Conference will devote the time to visiting their elected representatives. This is an added innovation to this Conference, a planned opportunity for the younger men to personally contact their representatives, observe first hand the workings of the national congress and, as the occasion permits, to impart their own views about matters of national interest affecting our industry. President Costa believes that it will be valuable experience for all who attend to make this personal contact with those who represent them in the capital. Appointments will have to be made well in advance and suggestions along those lines will be forthcoming in future announcements.

Wednesday afternoon, January 16: At this session, Raymond Foley,


Samuel Neel


F. D. Richards


T. B. King


Raymond Foley

HHFA Administrator, and his deputy, Neal Hardy will discuss critical defense areas and other matters under HHFA jurisdiction and Guy E. Noyes, director of the Division of Selective Credit Regulations of the Federal Reserve, will discuss Regulation X and related matters.

A National Production Authority will speak on construction controls.

The Conference will be handled similarly to our annual Mortgage Banking Seminar and Advanced Seminar. Notebooks will be prepared, each containing outlines of all talks given so that those attending may follow the course of discussion more easily. Rooms have been reserved at the Hotel Mayflower to accommodate the group expected to attend and these will be available on the Sunday evening prior to the Conference opening.

More detailed announcements will be sent by the headquarters office soon. Advance registrations will be taken. Fee is $25.

NEW MEMBERSHIP DRIVE OFF TO A FAST START

No previous MBA membership campaign has gotten off to quite as fast a start as the 1951-52 drive which has opened under the direction of John C. Hall of Birmingham as chairman of the new membership committee. So far, with only two months' work, the committee has 50 new membership applications on the books for the present Association year. Total membership now stands at 1675, another all-time high for the Association's roster.

Mr. Hall and Secretary George H. Patterson conferred in Memphis in early November, completing plans for the campaign during the remainder of the Association year. Members of the new committee will be getting details of the drive shortly.

New MBA members recently admitted include:

ALABAMA—*Mobile,* Staples-Pake-Griffin, P.O. Box 436, T. L. Griffin.

ARIZONA—*Tucson,* La Madera Land & Trust Co., 603 E. 6th St., H. F. Voight, President; Drachman-Grant, 28 N. Stone Ave., Richard M. Drachman.

CALIFORNIA—*Long Beach,* Pacific National Bank of Long Beach, 2221 Pacific Ave., M. H. Joesting; *San Francisco,* The Bank of California, 400 California St., R. L. Shearn, Vice-Pres.; *San Jose,* The First National Bank of San Jose, P.O. Box 1000, Howard W. Rathbun, Vice President; *Santa Rosa,* Sonoma Property Loan Company, 220 Hinton Ave., Henry F. Trione.

COLORADO—*Colorado Springs,* The First National Bank of Colorado Springs, Colorado Springs, William M. Roberts; Harris Investment Company, 127½ South Tejon St., Leo L. Harris.

DISTRICT OF COLUMBIA—*Washington,* Citizens Bank of Riverdale, Avondale Branch, 1900 Queens Chapel Road, Joshua I. Miller.

FLORIDA—*Miami,* Fidelity Title Company, 304 Langford Bldg., Thomas J. Blake; *West Palm Beach,* Palm Beach Abstract & Title Company, 123 Datura St., P. I. Hopkins, Jr.; Security Abstract & Insurance Company, Box 869, T. M. Richards, Jr., Vice President.

GEORGIA—*Atlanta,* Title Company of Georgia, Atlanta Federal Savings Bldg., Robert P. Crawford; *Augusta,* Southern Finance Corporation, 753 Broad St., H. G. Garrett, President; Veterans Loan & Realty Co., Inc., 743 Greene St., J. C. Bible, Jr.

IDAHO—*Pocatello,* Smith-Marshall Agency, Inc., P.O. Box 510, Wendell P. Marshall.

INDIANA—*Gary,* Gary National Bank, 504 Broadway, E. A. Wilhite, Vice President.

MARYLAND—*Silver Spring,* The Bank of Silver Spring, 8701 Georgia Ave., Richard L. McKeever.

MINNESOTA—*Richfield,* Richfield State Bank, 6608 Lyndale Avenue South, G. R. Macomber, Asst. Cashier.

NEVADA—*Reno,* C. W. Baker Company, P.O. Box 1987, C. W. Baker, President.

NEW JERSEY—*Elizabeth,* The National State Bank of Elizabeth, 68 Broad St., J. Kenneth Boyles.

OHIO—*Columbus,* Hartzler Mortgage Company, 74 E. Gay St., Thomas K. Hartzler, Jr.

OREGON—*Portland,* Fifth Avenue Investment Company, Lumbermen's Bldg., 329 S.W. Fifth, Guy E. Jaques, President.

PENNSYLVANIA—*Philadelphia,* The Philadelphia National Bank, Philadelphia, J. D. Matthews, Vice President; *Pittsburgh,* Mellon National Bank and Trust Company, 514 Smithfield St., L. J. Rockwell.

TEXAS—*Dallas,* Dallas Title and Guaranty Company, 1301 Main St., Harold Star; *Houston,* David C. Bintliff & Co., Inc., 2407 Niels Esperson Bldg., David C. Bintliff, President

WASHINGTON—*Mount Vernon,* Public Finance Company, 815 Cleveland Ave., David J. Berg, Secy.-Treas.; *Tacoma,* The Bank of California, Tacoma Office, 1011 Pacific Ave., T. R. Faragher, Vice President.

WISCONSIN—*Racine,* Milton F. La Pour, Incorporated, 222 Fifth St., Milton F. La Pour, President.

WYOMING—*Riverton,* The First National Bank of Riverton, P.O. Box 233, L. G. Harmon, Asst. Cashier.

OBITUARIES

Wayne Mavity Harryman, for more than 25 years president of the United Mortgage Loan Co., Indianapolis, died of a heart ailment on the train returning from MBA's San Francisco convention. Mr. Harryman was a prominent mortgage banker and realtor in that city.

John Koenig, Jr., recently elected president of Colonial Surety Company, affiliate of the Pennsylvania Company for Banking and Trusts, died in his home in Philadelphia. He was an authority on many phases of mortgage lending operations, particularly in the field of new construction. He formerly headed the Philadelphia MBA.

PERSONNEL

Controller available, 45, able accountant-administrator, experienced mortgage finance, servicing, all phases real estate-construction; systems, taxes, insurance, personnel; Wharton School graduate; top references; now located Washington, D. C.; will relocate; $7500. Write Box 234, Mortgage Bankers Association of America, 111 West Washington St., Chicago, Ill.

BROAD-GAUGE MORTGAGE LOAN EXECUTIVE AVAILABLE

Seeks to join substantial lending organization with operations in St. Louis, as top management loan officer, whose business is large, diversified and perpetual. Over twenty years extensive experience. Write Box 235, Mortgage Bankers Association of America, 111 W. Washington St., Chicago, Ill.

Mortgage SERVICING *Department*

A Valuable Service Which Local Groups Can Perform for Members

By WILLIAM I. DeHUSZAR

IN San Francisco MBA's Mortgage Servicing Committee under the chairmanship of Lemuel Holt went on record as advocating the formation of local mortgage servicing committees which would be of great benefit to the loan servicing industry and pledged itself to promote the creation of these committees. Up until now only a few local committees have been formed on city, metropolitan area or state level; not enough in number to answer the needs of servicing managers who have certain unsolved problems which may not be sufficiently complex to warrant help from MBA's Director of Accounting and Servicing.

The purpose of a mortgage servicing committee within a local organization is of course not to compete with MBA's committee but rather to supplement it and disseminate servicing ideas to every segment of the loan servicing industry and especially to those who may not be reached by the national committee on every occasion. Only local servicing committees can do this job effectively since they have no geographical limitations and are thus able to contact their members in person from time to time. Furthermore, the problems that confront a servicing committee organized within a local or state association formed in most instances are usually uniform, as for example, problems regarding the handling of taxes.

The Loan Servicing Committee of Chicago MBA was the first formed within a metropolitan area and has pioneered an entirely new idea to bring about a more effective interchange of thoughts. The word "committee" usually denotes a group of 6 to 10 men versed in a certain field who convene from time to time to discuss various problems with the aim of designing or simplifying methods and procedures, and who then inform the membership of the results of their actions. The "open house" type of meeting inaugurated by the Loan Servicing Committee of the Chicago MBA goes far to accomplish this job by throwing its doors open to the office managers, servicing managers and accountants of all members and by inviting them to participate in their "free for all" meetings. In this manner the benefits that usually accrue to the members of the committee alone reach all servicing managers through active participation in the proceedings. As a matter of fact, they actually become part of it not only by their presence but by their assistance and help. While originally the emphasis was placed on the advantages that the visitors may gain by listening to the collective opinion of the committee members, later the "participating" feature of the committee work was stressed. The letter announcing the formation of the committee is indicative of the spirit within which the whole idea was conceived and it is believed that partially it is this very spirit that brought about the success of the committee's functioning. Part of this letter is quoted for illustration:

"The idea of an open house was conceived in the belief that the discussion of a problem by seven servicing managers would uncover a better solution for you than information contained in an article or advice given by only one of us. We believe that you want not only the 'pro's' but also the 'con's.'

"We are not experts and we may not be better informed on a problem than you are. We believe, however, that the value of our services to you may lie in the fact that at an 'open house' meeting we may present to you the collective thinking of seven men on one subject. From our debate and arguments you may arrive at your own conclusions."

The meetings are moderated by the chairman of the committee and the topics vary from one meeting to the other. At the outset of each meeting the seven committee members and the attending servicing managers—who, incidentally, often outnumber the committee—poll their opinions as to the problems they wish to discuss. Once the objective is set the meeting resolves into a so-called "kaffee klatsch." For example, at one of the meetings the cashier records were discussed, at another tax procedures were analyzed. At the conclusion of each discussion, the chairman summarizes the various views and thus the committee aided by the visitors

(Continued page 26, column 1)

This is the first appearance of a new department to appear monthly under the sponsorship of the Mortgage Servicing Committee headed this year by Lemuel J. Holt, W. A. Clarke Mortgage Co., Philadelphia. As its title indicates, it will be a section about servicing—new ideas about procedure, successful innovations in this side of the mortgage business, how some of our established methods of doing things have been streamlined and improved, in short, anything about mortgage loan servicing that is new and promises a more efficient and economical operation.

William I. DeHuszar, treasurer, Dovenmueble, Inc., Chicago, and chairman of last year's Servicing Committee, has been named editorial director of this new department. When he doesn't arrange a monthly contribution, he will take over the section himself as he does in this issue with a description of what Chicago MBA's servicing committee did in setting up a servicing program that has proved of considerable benefit to its members.

The Road We're on Now

A challenging appeal to every mortgage man, every business man, indeed every man, to realize that the hour is late if we want to preserve our way of life

By **DEANE W. MALOTT**
President of Cornell University

IT HAS BEEN 175 years since our founding fathers struggled with the American declaration of freedom, a small part of which reads:

> We hold these truths to be self-evident, that all men are endowed by their Creator with certain unalienable Rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights governments are instituted among men, deriving their just powers from the consent of the governed.

It was the beginning of another epoch in man's long struggle for freedom. It was not new; other men had sought it from the beginnings of recorded history. Some had attained it, and with their republican government had built up rich civilizations, which had risen to great heights of cultural and material well-being, and then withered again, stultified by the eventual emergence of arrogance in government and public clamor for the fulfillment of promises beyond the power of any government to give. History is strewn with the wreckage of nations which have gone down to ruin under the insidious belief that government can answer all of the problems of harried peoples.

In every case in history, the weak link in the structure has been financial tinkering in a nation living beyond its means. In some cases it has led to debasement of the currency and ruinous inflation; in some cases it has paved the way for tyrannical seizure of government powers; in still others it has wiped out the educated and cultured classes, and given way to barbarism and chaos. But in all recorded history, man's experience with successful democracy has been brief, sporadic, and beset with dangers.

>> SURVIVAL: I am convinced that the American way of life as we know it will not survive these turbulent days of revolutionary change, without the militant and aggressive leadership of our bankers and financiers. No banker would allow any customer to get into the position of our federal government, living extravagantly and wastefully beyond its means, fostering inflation, borrowing increasingly, and wastefully consuming the nation's raw material resources, with little heed for tomorrow. While the danger point of government debt is largely determined by the psychological temper of the people, should we not look to the lenders of America to be everlastingly and vociferously and aggressively pointing out the dangers and the consequences of unmitigated profligacy?

In this mad dance of the billions, our public debt has increased 250 times over 1910, and is six times as much as it was 11 years ago. Interest alone on the public debt is now nearly six times the debt itself of 40 years ago. In the last four years our federal government has spent twelve

ALMOST BURIED

and Where It's Leading

billion dollars more than in all of the 150 years from 1789 to 1939. In only three of the past 20 years has the annual budget of the government been balanced, and new additional civilian employees are being added at the rate of about one every forty-three seconds, day and night, week in and week out. Nearly one in every four people of the population is regularly receiving a check from the Federal Government for services, for relief, for pensions, or for participation in agricultural programs.

>> BIG SPENDERS: On the rolls of the great federal bureaucracy is a growing army of federal spenders. The public gets only occasional glimpses of our fiscal operations, such as the discovery a few days ago that the Army and Air Force were planning for two radio and television programs at a total cost of $688,000, and that there is overlapping, and duplication, and chaotic administration in many a division of government.

Is it necessary, for instance, to have 7,139 employees of the National Advisory Committee for Aeronautics? Why there should be 35,928 employees of the Federal Security Commission? Could many of the 59,194 employees of the Department of Interior, for instance, be eliminated? Is the taxpayer getting value received from the 2,523 employees of the Office of the Housing Administrator?

Do we need, and can we afford, as much government as is now being saddled upon us?

Read the federal budget and make known to your congressional leaders your point of view on this vital matter.

The American people with alarming docility are becoming accustomed to regimentation. The farmers are willing to accept regimentation if it's their kind; business men cry for it, particularly under threats of depression; workmen seek it if it will make labor a scarce commodity.

The master planners who would bring us Utopia under government aegis fail to realize that the incentives of private enterprise do not and cannot pervade government operations. The Civil Service cannot grade men in loyalty, vision, integrity, and teamwork; it leaves little to hope and ambition, but merely allays fear, in a milieu where ability and performance above average do not hasten progress, while performance below average is not a retarding influence.

Meanwhile the Administration calls for ever higher and higher taxes to meet the costs of this fast-growing gargantua. Concern is expressed that excess profits taxes will kill the sources of venture capital, that income taxes will destroy the wealth, and the incentives for wealth which lie at the foundations of our economy.

But hidden taxes, too—excises and sales taxes—take their toll, until today the tax bite on an automobile is nearly 50 per cent of the cost; on a railroad ticket costing $12.75, taxes claim $2.25; on 14c worth of gasoline, the average tax take is 11c; taxes eat up $2 on every $4 telephone call; and for every 10c spent for bread, one-half is the measure of the tax lug.

This is a throttling yoke which in times of huge and abnormal spending can be carried, but with the slightest recession the clamor for more government programs of relief and aid will arise and with it the costs of government will mount. Then, if the tax burden is too great, there follows a

LOOK OUT FOR THE HOLE!

panicky swing to government control and operation; and our freedom, slowly and insidiously and under the hue and cry of emergency, recedes as in the cases of many another great civilization before us.

Education has a large share of the responsibility for a literate citizenry, but education is neither self-propelled nor self-supporting, and depends upon the will of the people—a will which has not been overly firm or insistent when we realize that today we are spending in this country two and a half billion dollars for all public elementary and high school education, yet the nation's tobacco bill is four billions a year, while nine billions flow annually into alcoholic beverages.

America needs strength — not only economic strength but the strength of an intelligent and vocal electorate under the leadership of those in the community who have the respect of the people, and the judgment to distinguish between immediate advantage and long term stability.

Mr. Malott spoke at the ABA Convention in Chicago.

LOCAL SERVICING PROGRAMS

(Continued from page 23)

reach a more definite understanding as to just what are the best ways of handling a certain situation.

Through the medium of Chicago MBA's *Bulletin,* the committee has asked its members to suggest topics in advance so that committee members may prepare for the discussion. In this manner, for instance, the safekeeping of accounting and loan records was recently discussed with the members of the committee furnishing valuable information which they obtained by research beforehand. On another occasion a servicing manager asked the committee's advice as to the type of records he was to set up for such manual bookkeeping operations which could be easily transferred to a mechanical bookkeeping system at a later date. The members of the committee did their own research on the subject and came to the meeting prepared with advice and suggestions. This new member thus received not only the opinion of one expert but the consensus of seven servicing managers each of whom contributed the best that was in his own system.

While MBA's Mortgage Servicing Committee will continue to handle servicing problems for the members of the Association, it is felt that quite a number of the problems can possibly better be solved on a local or state level by close coperation of a number of servicing managers forming local groups. Those members who have serious problems or who do not have the means of interchanging their ideas on a local or state level will always be able to call on Tom McDonald, Director of Servicing and Accounting of the MBA, for his assistance.

National conventions and clinic meetings do not afford an opportunity to those who stay behind, to learn of many improvements that have been made in the mortgage servicing field. Each local servicing group, however, will have at least one among its members who attends these national conventions or clinics and is in a position to bring information to the servicing managers and members of smaller organizations.

The Mortgage Servicing Committee of the MBA strongly recommends that wherever possible local groups of servicing managers be formed and that if possible the "open house" type of meetings be held. It has been tried in Chicago and it has proved to be a success. Why don't you try it in your own community? *(One group has;* *see page 29.)*

LIFE COMPANIES' OPPORTUNITY

(Continued from page 20)

down payments and *maximum* amortization terms. Investors are not compelled to offer these terms on loans but may require higher down payments and shorter periods of amortization. I believe life companies can insist upon stiffer terms and still obtain all the mortgage loans we want because mortgage loan correspondents, home-builders and borrowers all are more anxious to have commitments that assure them the money they need than they are in obtaining the most liberal terms permitted by the government regulations.

The welfare state approach to housing pays little attention to protecting the interests of the taxpayers who in the final analysis must assume the liability arising out of government mortgage insurance and guarantees in case of trouble. As trustees of large amounts of funds belonging to the public, insurance companies have a responsibility of maintaining mortgage loan standards instead of relying solely upon government credit to bail us out in times of stress.

Through skillful management of our individual mortgage loan portfolios and by offering constructive suggestions to Congress and the housing authorities I believe the life insurance companies can do much to influence the course of national housing policy and keep it on a sound basis. By so doing, the life insurance industry can make a significant contribution to the fundamental long-run interests both of our policyholders and of the general public.

CARL A. ROBINSON NEW PRESIDENT MEMPHIS MBA

Carl A. Robinson, president of Carl A. Robinson & Co., was elected president of the Memphis MBA at the annual dinner succeeding Marc Wile. E. R. Richmond, president, E. R. Richmond Company, was named vice president and Max Ostner, vice president, James E. McGehee & Co., was elected secretary treasurer.

Carl A. Robinson

E. R. Richmond

Max Ostner

DON HEDLUND IS NAMED PRESIDENT SEATTLE MBA

Donol F. Hedlund, president, Carroll, Hedlund & Associates, is the new president of the Seattle MBA succeeding Clifford Olsen of Citizens Federal Savings and Loan Association. Boland Wilson, treasurer, Citizens Federal Savings and Loan Association, was elected vice president. Fred A. Robinson, assistant secretary, Washington Mutual Savings Bank, was reelected secretary and treasurer.

Donol F. Hedlund

Trustees named were: Felix Davis, manager, real estate department, Seattle-First National Bank; Vern Brice, vice president, White and Bollard; Harry Shaw, vice president, Olympic National Life Insurance Company; and Sheffield Phelps, vice president, Securities Mortgage, Inc.

John Dickerman, legislative director of the National Association of Home Builders, addressed N. Y. MBA.

W. C. RAINFORD IS NEW HEAD OF ILLINOIS MBA

W. C. Rainford of Granite City has been elected president of the Illinois MBA, succeeding Harold S. Hurst of Peoria. Albert R. Schafer of Peoria was elected secretary-treasurer. Other officers named were G. T. Ross, Rockford, and Lyle Campbell, Decatur, vice presidents.

Elected to the board of directors were G. Hicks Fallin of Peoria; Nyle H. Large, Taylorville, and Tom Merritt, Hoopeston.

NOTES FROM OTHER GROUPS

Detroit MBA's annual Educational Clinic for members and their staffs is set for November 16th . . . Members of the Seattle MBA were guests of the Society of Residential Appraisers meeting when waterfront property was the subject under review . . . Alvin E. Soniat, president, Texas MBA, was a member of a panel group that told members of the Ft. Worth Real Estate board about the possible trend in mortgage interest rates, the market, etc.

Birmingham MBA took official notice of MBA Secretary George H. Patterson's 20th anniversary with the Association and passed a resolution commending him for his development of the organization. Said the resolution:

>> **BIRMINGHAM ELECTS:** Louie Reese, president, Louie Reese & Co., Inc., (left) has been elected president of the Birmingham MBA to succeed H. A. Drake, Jr. of Liberty National Life Insurance Company (right). Standing, Frank S. White, III, Molton, Allen & Williams, Inc., secretary and treasurer, and Hugh Denman, Association vice president.

WHEREAS, during his term of office he has executed the affairs of the National Association in a capable and efficient manner, and by diligent effort has increased the membership from an initial 180 to nearly 1700, and has further been largely responsible for developing it into one of the outstanding trade organizations in the country; and

WHEREAS, the membership of the Birmingham Mortgage Bankers Association desires to express to George its

(Continued on next page)

COMPLETION CERTIFICATE FOR SEMINAR STUDENTS

Those who have attended both the Mortgage Banking Seminar and Advanced Mortgage Banking Seminar are being offered an opportunity to make their attendance at these courses of even more practical value by non-earning a Certificate of Completion, according to an announcement by Lindell Peterson, chairman of the educational committee.

After completing both courses, the registrant can now prepare a thesis on a subject pertinent to some phase of the industry and, if accepted by the educational committee, receive a Certificate of Completion. The Certificate will actually constitute a diploma attesting to the fact that the only course in mortgage lending has been successfully completed.

The thesis can be from 3,000 to 4,500 words and must be first submitted to the committee in outline form so that the theme and method of handling can be approved. Many of the papers will be published in THE MORTGAGE BANKER.

DALLAS MBA HONORS MBA PRESIDENT AUBREY COSTA

After MBA's San Francisco convention, first item of business on the agenda for Dallas MBA was a testimonial dinner to MBA President Aubrey M. Costa, second man from Texas to occupy the MBA presidential chair. The occasion was an all-Texas affair with guests from Houston, Harlingen, Sherman, San Antonio and other points as well as other cities in the middle west and east. Among those who paid tribute to the guest of honor were M. J. Mittenthal, president of the Dallas MBA; Allyn R. Cline, Houston, MBA board member, and MBA President Owen M. Murray. Donald C. Fitch of Travelers Insurance Company was toastmaster.

Top photo shows a portion of those at the Hotel Baker dinner. At the speakers' table, left to right, F. M. Love, chairman of the board, Southern Trust & Mortgage Company, Dallas; John F. Austin, Jr., president, T. J. Bettes Company, Houston; A. E. Soniat, vice president, J. E. Foster & Son, Inc., Fort Worth, and president, Texas MBA; M. J. Mittenthal, N. E. Mittenthal & Son, Inc., Dallas; President Costa; Donald C. Fitch, The Travelers Insurance Company, Dallas; Owen M. Murray, Murray Investment Company, Dallas; A. Y. Creager, A. Y. Creager Company, Sherman, Texas; Allyn R. Cline, president, Cline Mortgage and Trust Company, Houston, Texas; A. H. Cadwallader, Jr., president, Mortgage Investment Corporation, San Antonio.

Center photo, left to right, some savings bank officials join in the tribute. Alton P. Cole, treasurer, Home Savings Bank, Boston; Robert M. Morgan, vice president, The Boston Five Cents Savings Bank, Boston; President Costa; Richard N. Symonds, vice president, Worcester Five Cents Savings Bank, Worcester; and Richard A. Booth, president, Springfield Institution for Savings, Springfield.

Lower photo, Frank Wolff, president, W. K. Ewing Company, San Antonio; W. D. Baker, VA loan guaranty officer, Dallas; George Parkhouse, State Senator from Dallas; President Costa; Allyn R. Cline; and M. J. Mittenthal.

Others who attended the testimonial dinner were Ben Wooten, president, First National Bank, and Frank Carter and Herman Van Maanen, vice presidents of the same institution; Fred F. Florence, president, Republic National Bank, and Oscar Bruce, vice president; J. C. Tenison, president, Dallas National Bank; M. J. Rachofsky, vice president, Mercantile National Bank; John W. Carpenter, president, and J. Ben Critz, vice president and general manager, Dallas Chamber of Commerce; Lyn Davis, president, Dallas Real Estate Board; Charles Thursby, financial vice president, The Reliable Life Insurance Company, St. Louis; and Martin Brooks and William Johnston of the State Mutual Life Insurance Co., Worcester.

A. Y. Creager of Sherman, Texas, a former president of Texas MBA and once active in MBA, is one of the oldest, if not the oldest, member of the Texas group.

NOTES FROM OTHER GROUPS

(Continued from page 27)

sincere appreciation for the many helpful courtesies which he has bestowed upon it and for his distinctive record of progress;

NOW, THEREFORE, BE IT RESOLVED that the Birmingham Mortgage Bankers Association hereby extends to George its grateful thanks for his untiring and selfless devotion to the interest of the National Association, from which the Birmingham Mortgage Bankers Association materially benefitted, and to commend him for his successful achievements during his 20-year period.

WILL SELLERS MARKET DEVELOP IN 1952, THEME OF MBA-NYU COURSE IN NEW YORK JANUARY 29 TO 31

THE theme of MBA's annual Senior Executives Course in New York January 29 to 31, sponsored in cooperation with the Graduate School of Business Administration of New York University, is a question that is uppermost in mortgage minds at the moment—will a sellers' market for mortgages develop in 1952?

That's the theme; and for the greater part of three days the course will seek the facts upon which some answers can be established.

This is MBA's annual event conceived and planned for the top level officials of mortgage lending and investing institutions over the country. Its purpose is not so much to take the immediate problems of the moment and pull them apart but rather to explore the broad economic trends in our national economy. With a better appreciation of these broad trends, those who attend will be in a better position to meet and solve their every-day problems.

Attendance, as before, will be strictly limited and not more than 100 can be accepted for the Course. Registration fee remains the same and includes a luncheon and dinner session. While the printed program and registration blanks aren't ready yet, members may, if they wish, write to the headquarters office in Chicago indicating their desire to attend so that their requests can be processed immediately. You make your own hotel reservations as before.

For a run-down of what's in store at NYU:

First session, dinner, January 29: Nationally known speaker to be announced.

Second session, Wednesday morning, January 30. NYU faculty members will discuss "Supply and Demand Reassert Themselves in a Managed Economy." Specific topics are:

The Supply of Loanable Funds for Mortgages by Dr. Jules I. Bogen.

Competing Demands for Institutional Funds by Prof. Raymond Rodgers.

Fourth session, Wednesday afternoon, January 30, NYU faculty members will again share the rostrum. The line up is:

The Impact of Credit Controls on the Mortgage Market by Dr. Marcus Nadler.

Deficit Financing—Prospects and Consequences by Martin Gainsburgh.

Outlook for Business Conditions by Dr. Jules Backman.

The Secondary Market for Mortgages by Dr. Sipa Heller.

Fifth session, dinner meeting, that night. Proposed topic is "An Appraisal of British Housing Experience."

Sixth session, Thursday morning, January 31. Theme is "Impact of Government on Mortgage Banking." Topics and speakers are:

The Government as Mortgage Buyer by John O'Connor.

The Government as Mortgage Lender (to be announced).

The Government as Housing Owner by Dr. Herbert Dorau.

Mortgage Bankers' Place in Our Economy in 1952 by Dean Rowland Collins.

Carton S. Stallard, Elizabeth, N. J., is vice chairman of the educational committee this year in charge of the NYU course. Others of the educational committee who are arranging the event are Philip S. Bowie and Geo. W. De Franceaux, Washington, D. C.; Charles L. Hassman and Jay F. Zook, Cleveland; Leslie M. Steel, Irvington, N. J.; William T. Walsh, Philadelphia and Harry C. Peiker, New York. All this has been under the general planning and supervision of the chairman of MBA's educational committee, Lindell Peterson of Chicago.

DALLAS MBA INAUGURATES LOAN SERVICING PROGRAM

The Dallas MBA has inaugurated a series of two-hour monthly luncheon meetings with servicing operation and procedure the sole topic for discussion, M. J. Mittenthal, Association president, announced. This is the first local mortgage group to follow the lead of the Chicago MBA in setting up a regular program of servicing meetings *(see page 23)*.

First Dallas meeting attracted an attendance of more than 60, and included all the various lending interests such as the life companies, savings and loan associations and correspondents. MBA President, Aubrey M. Costa, and Texas MBA President, Al Soniat, addressed the initial meeting. Principal topic for discussion was taxes. (The Dallas mortgage men were tax-conscious at the moment, too. The day before M. J. Greene, comptroller for Southern Trust and Mortgage Company, Dallas, was around calling on the tax assessor and collector with a check for $137,939 for taxes on more than 6,000 pieces of property financed by the company.)

Mr. Mittenthal emphasized that the Dallas group is making an effort to attract not just the servicing manager but all of the servicing personnel in their member firms.

MBA PUBLICATIONS

Mortgage Loan Servicing Practices by William I. DeHuszar, treasurer, Dovenmuehle, Inc., Chicago, and chairman of MBA's Servicing Committee. A comprehensive analysis of the mortgage loan servicing practices and procedures being used successfully by mortgage bankers across the country. $2 each ($3.50 to non-members).

MBA Reference Guide, a looseleaf service kept up to date, includes text and regulations of Regulation X, orders of the National Production Authority and rules and regulations of the Housing and Home Finance Agency applicable to specially designated defense areas. $10 each.

Home Loan Amounts at a Glance under Regulation X and related FHA and VA regulations. Prices: Less than 100, 10 cents per booklet; 100, $7.50; 500, $32.50; 1,000, $57.50; 2,000, $100; and 5,000, $225.

If firm name imprint, firm address and telephone number and short advertising message is desired, add $3.50 to above prices (now in revision).

Borrower's Statements applicable to loans subject (and non-subject) to Regulation X in pads of 100. Prices: 1 pad, $1.50; 5 pads, $5; and 10 pads, $7.50.

Soldiers' and Sailors' Civil Relief Act Questionnaire and monthly basic pay schedule of officers and enlisted men in the Armed Forces in pads of 100 at $3 per pad. Extra copies available for 40c each.

Where Life Company Money Goes

The part that's invested in mortgages is more evenly spread out over the nation than it ever was before

IN A BOOM such as we've had, almost everything booms. And almost nothing has grown quite as fast in such a short time as the total of outstanding mortgage loans. Insurance company purchases of mortgages have been heavier than ever before. Just how heavy is shown by the Institute of Life Insurance in a compilation for 1950. Among other things these data disclose:

» By comparison with any other past year, 1950 overshadows by far any record of the past.

» The tremendous expansion in insured and guaranteed loans.

» That while many parts of the country feel that they aren't getting their proper share of mortgage money, fact is that it is being pretty fairly distributed as far as the life companies are concerned. (William A. Marcus, in his San Francisco Convention address, said that in his area mortgage money is insufficient to meet the needs and always has been. But the life companies' data show that the West and South have *gained* in the relative amount of life company mortgage money they have been getting.)

Total amount of mortgage loans held by U. S. life insurance companies increased by $3,191,749,000 in 1950 to a total of $16,097,650,000 at the end of that year. This single year's growth *was equal to one quarter of the amount outstanding at the end of 1949.* What is more, these holdings have been increasing at a rate of about 20 per cent or more per year for the last four years, the total more than doubling in that period. New mortgages totalling nearly $5,000,000,000 were acquired by the life companies in 1950, making mortgage loans the leading outlet for life insurance funds during the year.

Almost all the mortgages held (98.9 per cent) were in the United States; the small portion of foreign holdings, $175,424,000, was found mainly in Canada, $145,590,000, with the balance in other countries and territories. In the United States, the total $15,922,226,000 was comprised of farm mortgages which made up 8.3 per cent, non-farm FHA, 28.7 per cent, non-farm VA, 12.7 per cent and other non-farm mortgages, 50.3 per cent.

The average size of mortgage loans held at the end of 1950 showed little change from previous years with farm at $8,000 (up slightly over 1949), non-farm FHA, $7,000, non-farm VA, $5,000, and other non-farm at $15,000. The average size of all mortgages held by life insurance companies in the United States was $9,000 at the end of 1950.

Farm Loan Holdings

Non-farm mortgages other than FHA and VA, mainly commercial and multifamily dwelling loans, made up the largest single category by amount with $8,011,932,000 in the United States and an additional $162,187,000 foreign. The number of these mortgages, 556,560, was exceeded, however, by non-farm FHA, 621,730. These loans, which were distributed somewhat according to the size and industrial activity of states, were found in large amounts in New York, $1,600,686,000, California, $928,151,000, Texas, $641,065,000, Illinois, $627,850,000 and Pennsylvania, $472,853,000. These five states taken together accounted for more than half the amount of non-farm mortgages other than FHA and VA outstanding with U. S. life insurance companies at the end of 1950.

The 165,470 U. S. farm mortgages owned aggregated $1,320,124,000 — an increase of 16.6 per cent over 1949. While this type of mortgage is found in every state, there is, as would be expected, a high concentration in agricultural areas. At the end of last year, six states (California, Illinois, Indiana, Iowa, Missouri, and Texas) had among them over half the U. S. farm mortgages held by life companies.

Non-farm FHA and VA mortgages, which take in the smaller residential loans, accounted for 1,022,180 mortgages held and amounted to $6,590,170,000 for the entire United States. These two types of mortgage loans tended to be distributed similarly, with Texas and California the leading states in each case. On a national average, FHA loans were considerably larger in amount than VA, $7,000 as compared to $5,000.

Over the past two years there has been a noticeable change in the geographic distribution of insurance company held mortgages with the trend being from the East to the West and South. A comparison for that period of the percentages which each region makes up of the total amount held shows that the New England, East North Central and Middle Atlantic regions have all shown decreasing percentages. While the West North Central and East South Central areas maintained relatively stable percentages of the total mortgages outstanding, the South Atlantic, West South Central, Mountain and Pacific regions showed appreciable gains. This does not mean that there was an absolute decrease in the amount of loans in the eastern areas, but that the rate of gain was far greater in the south and west. Every state showed some increase in amount over the two years.

Tabulation of life company holdings by states on opposite page.

Mortgage Loans Held by U.S. Life Companies

Dec. 31, 1950

	FARM		NON-FARM F.H.A.		NON-FARM V.A.		NON-FARM OTHER		TOTAL	
	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)	No.	Amount (000 Omitted)
Alabama	680	$3,819	12,170	$101,022	10,510	$50,555	6,620	$53,203	29,980	$208,599
Arizona	510	8,608	6,910	43,688	1,330	4,434	3,880	38,077	12,630	94,807
Arkansas	3,780	34,039	10,600	59,937	4,990	14,432	1,480	11,489	20,850	119,897
California	3,570	70,616	53,520	443,287	50,450	258,550	71,380	928,151	178,920	1,700,604
Colorado	2,620	29,418	10,180	68,574	7,260	32,904	4,750	52,104	24,810	183,000
Connecticut	160	1,132	3,550	20,016	1,830	12,836	8,240	142,432	13,780	176,416
Delaware	20	240	1,820	13,739	2,700	17,841	1,710	16,380	6,250	48,200
D. of Columbia	—	—	1,640	46,247	1,620	13,920	6,460	195,318	9,720	255,485
Florida	480	17,434	36,250	248,093	15,030	58,028	18,340	227,254	70,100	550,809
Georgia	3,250	12,673	13,750	123,022	11,720	66,465	7,540	111,736	36,260	313,896
Idaho	2,720	19,422	3,570	24,753	1,260	2,926	1,540	11,021	9,090	58,122
Illinois	10,530	99,484	29,080	223,560	15,130	85,554	25,560	627,850	80,300	1,036,448
Indiana	12,200	70,831	26,130	171,112	10,040	40,397	15,320	109,909	63,690	392,249
Iowa	22,130	185,037	5,520	33,817	4,100	18,678	2,840	40,871	34,590	278,403
Kansas	9,440	51,460	12,580	87,742	8,320	41,011	4,600	49,790	34,940	230,003
Kentucky	2,700	24,800	10,350	71,514	4,230	20,252	5,830	59,743	23,110	176,309
Louisiana	970	10,340	19,800	138,291	10,350	34,864	5,300	60,170	36,420	243,665
Maine	30	181	1,280	8,165	520	2,025	1,200	11,963	3,030	22,334
Maryland	410	4,070	9,910	190,458	10,260	71,372	16,090	160,613	36,670	426,513
Massachusetts	100	640	380	8,857	1,000	8,339	6,970	179,842	8,450	197,678
Michigan	1,280	7,849	30,810	203,607	12,600	83,971	28,790	287,472	73,480	582,899
Minnesota	9,630	65,429	3,550	29,565	4,470	31,417	8,210	82,801	25,860	209,212
Mississippi	2,230	28,546	11,080	64,146	5,980	21,172	3,920	26,246	23,210	140,110
Missouri	12,820	71,325	13,440	104,734	9,200	53,909	11,170	198,958	46,630	428,926
Montana	760	10,118	1,050	7,303	330	1,376	580	9,186	2,720	27,983
Nebraska	8,310	54,993	8,320	52,342	4,200	17,190	3,210	42,194	24,040	166,719
Nevada	70	4,177	1,380	10,316	490	918	380	4,029	2,320	19,440
New Hampshire	*	5	10	70	10	69	90	3,969	110	4,113
New Jersey	1,100	9,460	8,410	53,431	9,450	65,856	22,260	363,684	41,220	492,431
New Mexico	1,410	25,164	6,990	46,980	3,370	10,246	2,630	27,249	14,400	109,639
New York	1,580	9,372	4,570	78,217	4,400	37,063	41,420	1,600,686	51,970	1,725,338
North Carolina	2,360	10,910	14,010	107,358	9,420	46,414	12,650	104,133	38,440	268,815
North Dakota	1,600	7,649	100	617	10	43	490	7,154	2,200	15,463
Ohio	4,670	32,112	21,660	159,187	14,660	76,738	21,170	381,416	62,160	649,453
Oklahoma	6,960	37,589	26,700	166,113	14,630	54,911	6,390	73,155	54,680	331,768
Oregon	1,680	17,730	10,170	71,585	2,220	11,208	6,710	63,925	20,780	164,448
Pennsylvania	820	5,552	14,020	65,301	19,660	126,857	33,160	472,853	67,660	670,563
Rhode Island	*	23	180	929	140	883	820	16,271	1,140	18,106
South Carolina	320	1,496	9,820	54,187	4,290	20,484	3,730	35,850	18,170	112,017
South Dakota	5.550	27,065	1,660	11,334	560	2,005	910	8,585	8,680	48,989
Tennessee	2,310	14,380	24,050	156,100	14,750	56,049	11,120	101,329	52,230	327,858
Texas	17,500	173,645	75,330	476,014	59,640	286,770	66,130	641,066	218,600	1,577,495
Utah	440	3,382	5,060	30,496	2,930	11,293	5,330	33,353	13,760	79,154
Vermont	70	500	50	897	90	448	170	3,628	830	5,473
Virginia	860	9,667	21,310	227,628	13,040	72,963	16,150	157,873	51,360	468,131
Washington	1,870	17,749	26,940	186,689	13,040	54,634	6,420	72,563	48,270	331,635
West Virginia	70	431	5,880	33,834	3,070	13,391	2,840	29,204	11,860	76,860
Wisconsin	1,980	14,956	2,950	28,574	1,220	7,097	4,730	73,046	10,880	123,673
Wyoming	910	14,606	2,420	11,783	750	3,551	260	2,138	4,340	32,078
Total U. S.	165,470	$1,320,124	620,910	$4,565,231	401,270	$2,024,939	537,490	$8,011,932	1,725,140	$15,922,226
Canada	1,760	6,892	——	——	——	——	17,480	138,698	19,240	145,590
Other Foreign	—	——	820	6,313	10	32	1,590	23,489	2,420	29,834
Grand Total	167,230	$1,327,016	621,730	$4,571,544	401,280	$2,024,971	556,560	$8,174,119	1,746,800	$16,097,650

PEOPLE AND EVENTS

Joseph Earl Perry, president, Newton, Mass., Savings Bank, was elected president of ABA's savings and mortgage division, **Wendell T. Burns,** Northwestern National Bank, Minneapolis was named vice president and **Joseph R. Jones,** vice president, Security-First National Bank, Los Angeles, was elected to the executive committee . . .

Willard Crotty, prominent in Dallas insurance, has joined Lewis Grinnan Company, Dallas, mortgage and insurance firm . . . **John W. Kelly** has joined Franklin Mortgage & Title Insurance Company, Newark, as servicing manager . . . he has been prominent in MBA's servicing activities. He formerly headed the servicing divisions of large Eastern and Middle Western mortgage firms and inaugurated some of the servicing procedures which have come into general use in mortgage operation.

Robert H. Pease, vice president, Draper & Kramer, Inc., Chicago, and editor of MBA forthcoming textbook, is giving six lectures at the University of Chicago's adult education center on investments, aimed particularly at assisting small investors.

Earl B. Schwulst, president, Bowery Savings Bank, New York, was elected president of the Savings Banks Association of New York . . . **Charles R. Diebold,** president, Western Savings Bank, Buffalo, was named vice president . . .

A. L. Grootemaat & Sons, Inc., Milwaukee, has merged with the Andy Rosenberger organization. The combination will expand the Grootemaat facilities to include a real estate sales division. E. H. Grootemaat is president; Mr. Rosenberger is vice president and Vincent J. Ryan, Gordon H. Giles and C. J. Grootemaat are vice presidents.

CO-OPS HERE TO STAY

(Continued from page 11)

It remains for us who are sincerely interested in making this legislation work, to continue our efforts to win the sustained interest of more long term lenders in this phase of FHA's insured mortgage program. Section 213 mortgages are characterized by all the insured mortgage features surrounding FHA mortgages insured under other sections of the National Housing Act. Debentures issued pursuant to 213 mortgage insurance have now been reduced by congressional action to 20 years. Investors in Section 213 mortgages will enjoy a 3.5 per cent to 3.75 per cent net yield on government guaranteed mortgages secured by new residential properties. Lenders interested in FHA purchases would be wise to include Section 213 project mortgages in their portfolios.

PENSION FUNDS

(Continued from page 10)

persons over 65 is currently about $500 per year for women and $1,000 for men. In contrast with these incomes, even modest living costs for an elderly couple over 65 are far from modest when compared with incomes. Department of Labor recently estimated that it cost an aged couple from $1,600 to $1,900 a year in late 1950 to enjoy a minimum scale of living. These costs have undoubtedly passed the $2,000 per year rate since then.

About 6,000,000 of the nation's 12,000,000 or more persons over 65 are now attempting to meet current minimum annual living costs of about $1,000 per person with $500 or less of annual personal income. In the past 50 years, the number of older persons in our population has increased fourfold, while the nation's total population has only doubled. This means that each employed American today is supporting more aged persons out of his income than ever before, both as public and as private obligations.

» ENCOURAGING NOTE: With real income—that is cash incomes in terms of current living costs—at $1.09 as compared with last year's dollar, there is apparently more stability in the income-versus-prices situation than has been apparent for some time. At least that's what Investors Diversified Services says.

Last year prices and cash incomes were rising rapidly. This year, although still rising under the pressure of defense demands, neither show increases at the rates of the earlier period.

NOT VERY SERIOUS

A grave digger, absorbed in his thoughts dug a grave so deep he could not get out. Came nightfall and his predicament became more and more uncomfortable. He shouted for help and at last attracted the attention of a drunk.

"Get me out of here," he shouted, "I'm cold."

The drunk looked into the grave and finally distinguished the form of the uncomfortable grave-digger.

"No wonder you're cold," he said, "you haven't any dirt on you."

A woman stalked into a detective's office, planked down a $100 bill on the desk and explained: "My husband has taken up with a blonde hussy, and I'm not going to let him get away with it."

"Well," said the detective, "what do you want me to do?"

"I want him followed 24 hours a day," snapped the visitor, "and then I want you to come and tell me what on earth she sees in him."

Wife: "The nurse is very scientific. She never lets anyone kiss the baby when she is around."

Husband: "Who would want to?"

Displaying her wedding gifts, the bride came to one from the groom's Army buddy. "I just adore these personalized gifts," she said. "We received towels and washcloths with HIS and HERS on them, but"—and she blushed—"this is even more personal."

She held up an olive-drab blanket with the letters US stamped in the middle.

There's nothing strange in the fact that the modern girl is a live wire. She carries practically no insulation.

An old gent married a beautiful young thing and brought her back to his home, where he found her greeted with considerable lack of enthusiasm by the old colored retainer who had been his butler for many years.

"Joseph," said the old gent to his butler, "I'm depending on you to help make the new Mrs. happy. Why do you look so concerned?"

"Well Sah," said Joseph, "that's a right pert young lady you'se brought home, an ah'll do mah best—but ah sure hates to see a man start a day's work in the afternoon."

In the days of the Old Testament it was a miracle if an ass spoke. How times have changed!

You can easily tell legislators from lobbyists: lobbyists wear $125 suits.

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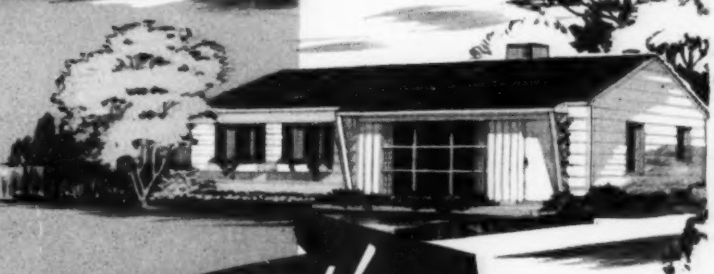

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